"E Pluribus Unum!"

"One Out of Many"

An Oil Company Grows Through Acquisitions

PAUL G. BLAZER

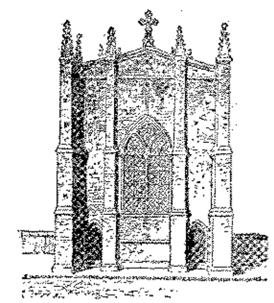
"Were American Newcomen to do naught else, our work is well done if we succeed in sharing with America a strengthened inspiration to continue the struggle towards a nobler Civilization— through wider knowledge and understanding of the hopes, ambitions, and deeds of leaders in the past who have upheld Civilization's material progress. As we look backward, let us look forward."

—CHARLES PENROSE
Senior Vice-President for North America
The Newcomen Society of England

This statement, crystallizing a broad purpose of the society, was first read at the Newcomen Meeting at New York World's Fair on August 5, 1939, when American Newcomen were guests of The British Government

"Actorum Memores simul affectamus Agenda"

"E PLURIBUS UNUM!"
"One Out of Many"—
An Oil Company Grows Through Acquisitions
An Address at Lexington



AMERICAN NEWCOMEN, *through the years, has honored numerous corporate enterprises, both in the United States of America and in Canada, whose economic contributions have been notable. Such a Newcomen manuscript is this, dealing with the modest beginnings and unique development to present importance of Oil properties, comprising Ashland Oil & Refining Company, with headquarters in the State of Kentucky.*

"It is my hope that this presentation of an account of the organization of a small oil refining company and its growth over a period of years, may call attention to *a method of industrial development* which is susceptible of wide application."

—PAUL G. BLAZER

"E Pluribus Unum!"

"One Out of Many"

An Oil Company Grows Through Acquisitions

PAUL G. BLAZER

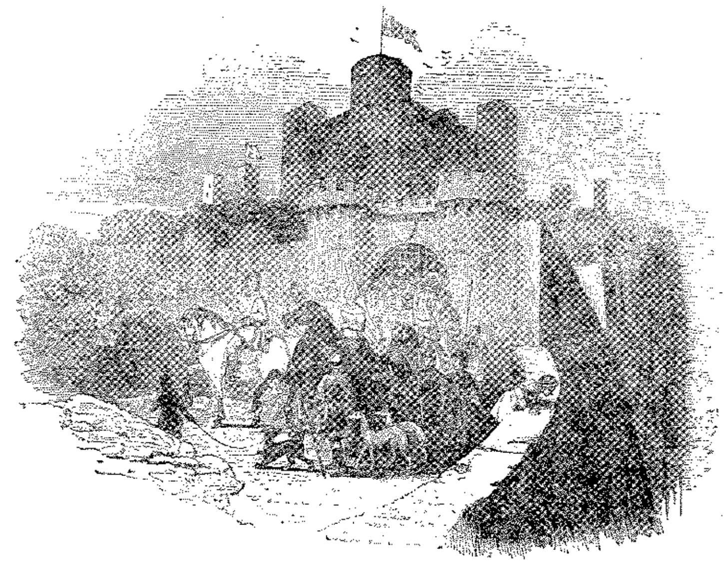
MEMBER OF THE NEWCOMEN SOCIETY
CHAIRMAN
ASHLAND OIL & REFINING COMPANY
ASHLAND
KENTUCKY

THE NEWCOMEN SOCIETY IN NORTH AMERICA
NEW YORK SAN FRANCISCO MONTREAL
1956

First Printing, April 1956
Second Printing, April 1956

This Newcomen Address, dealing with the history of Ashland Oil & Refining Company, was delivered at the "1956 Kentucky Dinner" of The Newcomen Society in North America, held at Phoenix Hotel, Lexington, Kentucky, U.S.A., when Mr. Blazer was the guest of honor, on April 24, 1956

SET UP, PRINTED AND BOUND IN THE UNITED STATES OF AMERICA FOR THE NEWCOMEN PUBLICATIONS IN NORTH AMERICA BY PRINCETON UNIVERSITY PRESS



INTRODUCTION OF MR. BLAZER, AT LEXINGTON ON APRIL 24, 1956, BY EDWARD S. DABNEY, PRESIDENT, SECURITY TRUST COMPANY OF LEXINGTON; MEMBER, BOARD OF DIRECTORS, ASHLAND OIL & REFINING COMPANY; VICE-CHAIRMAN OF THE KENTUCKY COMMITTEE, IN THE NEWCOMEN SOCIETY IN NORTH AMERICA.

My fellow members of Newcomen:

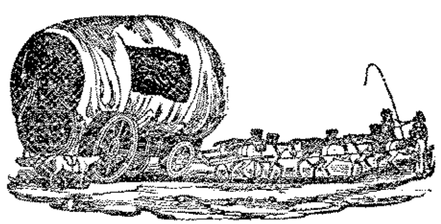
OUR guest of honor tonight, Paul G. Blazer, has devoted his business life to the Oil Industry.

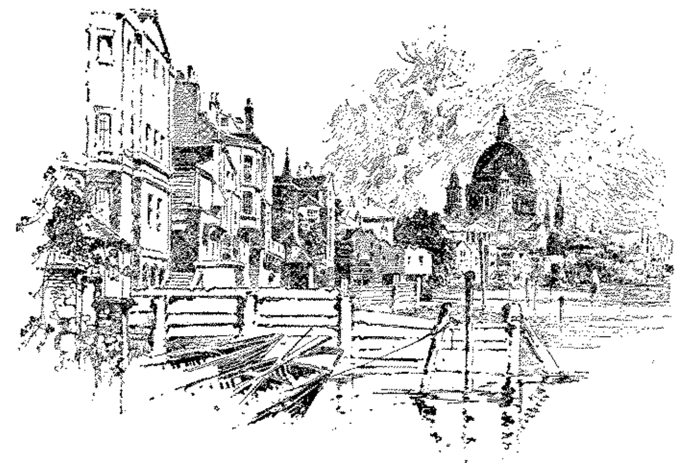
From the day in 1919—thirty-seven years ago—when he came to Kentucky, incidentally to Lexington, to engage in business, Mr. Blazer has achieved a remarkable record. He has demonstrated skill, foresight, wisdom, and sagacity, a thorough knowledge of all the ramifications of the business, the highest conception of character and integrity, and extraordinary ability in bringing together numerous men and interests and many companies into the present corporation. The talent for negotiation is rare among men; with this talent he is abundantly endowed.

In addition to his position as President of Ashland Oil & Refining Company from its organization in 1936, until 1944, when he became Chairman of its Board of Directors, Mr. Blazer has occupied positions of national prominence in this great industry. Among these we mention only, that during the Second World War, he was a member of the Petroleum Industry War Council, and was Chairman of the District II Refining Committee for the Petroleum Administration for War, a position somewhat similar to that held, from 1933 to 1935, under the NRA. He is a member of the National Petroleum Council, and is a director and member of the American Petroleum Institute.

As a Kentuckian by adoption, he is the finest kind of citizen of the Commonwealth. Attesting recognition given him, he was a member of the Governor's Postwar Planning Commission for Kentucky, and served as Chairman of its Transportation Committee. He received honorary degrees from Centre College and from the University of Kentucky, the Sullivan Medallion Award from the University of Kentucky, and, in 1954, the "Kentuckian of the Year" Award of the Kentucky Press Association. He served as a member and later as Chairman of the Board of Directors of the Cincinnati Branch of the Federal Reserve Bank of Cleveland.

Gentlemen, I am honored to present to you our fellow member in Newcomen, an industrial leader, servant of the welfare of our State, generous benefactor of education, promoter of civic progress and, most of all, a credit to the American way of life: MR. BLAZER.





My fellow members of Newcomen:

SPEAKING for the personnel of Ashland Oil & Refining Company, I take pleasure in expressing our appreciation of the honor conferred on our Company on this occasion by The Newcomen Society in North America and by the members of the Kentucky Committee.

I hope, *Mr. Chairman,* that my presentation this evening of an account of the organization of a small oil refining company and its growth over a period of years, may interest you and call attention to *a method* of industrial development which is susceptible of wide application.

The roots of the organization which you are honoring extend back through many mergers and property acquisitions to the earliest days of the oil refining industry. Many personalities have contributed their business philosophies, as well as their energies and skills, to the various business undertakings which have been consolidated into the present Ashland Oil & Refining Company and its subsidiary companies.

The present parent corporation was formed on October 31, 1936, when Swiss Oil Corporation and its subsidiary, Ashland Refining Company, were consolidated. But that is a comparatively recent date in the histories of the many loyal and proud organizations which have been joined and expanded to comprise the Ashland group of companies.

❦ ❦

Swiss Oil Corporation, a producer of Kentucky crude oil, was organized here in Lexington by J. Fred Miles, in 1918. Mr. Miles, a capable and resourceful oil producer from Oklahoma, who had been attracted by oil discoveries in Kentucky, interested important Chicago and Cleveland capital in his Kentucky ventures and brought prominent Kentuckians into his organization. E. L. McDonald had resigned from his position as Counsel of the Louisville Title Company to take an executive position with Swiss Oil, and Thomas A. Combs, one of the most prominent and highly regarded business leaders of Central Kentucky, became President of the company, but Miles, as Vice-President and General Manager, continued for some years as the dominant factor in the company.

❦ ❦

Union Gas & Oil Company had discovered, in extreme Eastern Kentucky, a large oil field which Mr. Miles was most anxious to acquire. Having learned that the owners of that company were interested in getting into the business of oil refining, in order to refine the crude oil produced from their properties, he decided to purchase a suitably located small refinery, hoping thereby to facilitate the acquisition of the important Union Gas & Oil Company properties. He outlined his plans and made a proposal to me when he learned, in October 1923, that I was planning to resign from my position with Great Southern Refining Company, which had its principal offices in Lexington and operated refineries there and at Pryse, Kentucky.

❦ ❦

I had been thinking along similar lines and had in mind the transportation advantages of two small refineries which had been

established a few years earlier adjacent to the Ohio River, one near Ashland and Catlettsburg, Kentucky, and one at Latonia, Kentucky. Also, I desired a larger ownership participation in a refinery, since I had only a 3 percent interest in the Great Southern Refining Company, which had been organized in 1919 by my school classmate J. E. Shatford, with the financial support of Messrs. Desha Breckinridge, Leonard Cox, George Graves, Charles Manning, Frank Justice, Jim Combs, and other prominent Lexington businessmen.

❦ ❦

Backed by funds supplied by Swiss Oil, I arranged to buy, at a price of $212,500, the little 1,000 barrel per day refinery of Great Eastern Refining Company which had been promoted and built near Ashland by a chemist who previously had been associated with us at Great Southern. Messrs. Jack Dalton and John Kelly, coal operators of Huntington, West Virginia, were the owners of the refining company, and John Grossenbach, whose business experience was limited to the coal industry, was the general manager. It was not surprising that the venture of these coal people into oil refining had proved unprofitable and they were glad to sell their refinery, including a small towboat and oil barge.

❦ ❦

On February 2, 1924, Messrs. Combs, Miles, McDonald, and I were the incorporators of Ashland Refining Company, with a paid in capital of $250,000. We took over the operation of the refinery which had twenty-five employees who were working seven days per week and twelve hours per day. I moved to Ashland. Since Swiss Oil had supplied the capital for the new venture, it is understandable that William Waples, the only member of the Swiss Oil organization to come to Ashland, was our first treasurer.

❦ ❦

Our refinery operations were successful from the very first month. We increased wages and reduced the hours of work. Within a few years, Ashland Refining Company, the small subsidiary formed solely to facilitate the purchase of some oil producing properties, began showing larger earnings than the parent company. Mr. Miles, who had not been active in the operations of Ashland Refining, became so impressed by the financial success of our venture that he left Swiss Oil and acquired personal control of an idle refinery at Louisville.

Each year, we increased our refinery capacity, our sales volume, and our financial strength. Our large competitors were frankly puzzled; they continued to predict that we would go bankrupt like most independent refiners.

❦ ❦

One afternoon in 1930, I received a telephone call from the owner of the Tri-State Refining Company, which a few years earlier had built a new refinery of modern design across the Big Sandy River at Kenova, West Virginia, within sight of our refinery. He and I were close friends and keen competitors. He was inexperienced, however, in the business of oil refining and marketing. He told me that his plant recently had been losing almost $1,000 per day and that he would turn it over to us if we would assume and promptly pay off the accumulated indebtedness which he personally had guaranteed. He named an approximate figure of around $300,000 and we closed the deal over the telephone. I learned later that he had been trying to sell his refinery to one of the larger oil companies.

❦ ❦

We operated that plant long enough to return our investment. We might have made it our principal refinery, except that it lacked room for expansion. Within two or three years, we moved its principal operating equipment across the river to our Catlettsburg plant. The purchase of the Tri-State Refinery, with its associated marketing facilities, was our first important expansion by acquisition.

❦ ❦

The Ashland and Tri-State refineries received Eastern Kentucky crude oil through the facilities of the Cumberland Pipe Line

Company, which, before the dissolution, had been one of the Standard Oil companies. It was a common carrier line serving at first only refineries of the Standard Oil group, which included the Louisville refinery of Standard Oil of Kentucky, the Parkersburg, West Virginia plant of Standard of New Jersey, and the three refineries of Atlantic Refining Company at Philadelphia, Pittsburgh, and Franklin, Pennsylvania.

❦ ❦

Because of our more favorable location in relation to the oil fields of Eastern Kentucky, we could afford to pay a higher price for that oil than our larger competitors. We paid our bills promptly, and each year more of the oil producers had begun selling their oil to us; by 1931, we had become the principal refiner of Eastern Kentucky oil. Also, we were taking practically all of the oil gathered by the 750-mile pipeline system of the Cumberland Pipe Line, which served more than 5,000 small oil wells.

❦ ❦

In September 1931, we purchased the Cumberland Pipe Line system. It was the most significant acquisition we ever have made.

❦ ❦

The Cumberland Pipe Line Company owned and operated the Kentucky pipelines of the Southern group of pipeline companies, which had a network of thousands of miles of gathering and trunk lines extending from the oil fields of Kentucky, West Virginia, and western Pennsylvania, to the large refineries located along the Delaware River. They were headed by Forrest M. Towl, located at 26 Broadway, in New York City, who as a young engineering graduate from Cornell University, had gone with Mr. Rockefeller in 1885, and had become chief engineer of the original Standard Oil Company. I thoroughly enjoyed my negotiations with Mr. Towl in connection with the purchase of the pipeline properties. He was truly a gentleman of the old school.

❦ ❦

To provide a better perspective of the transaction between

Ashland Refining and Cumberland Pipe Line Company, it is necessary to point out that the physical properties of Cumberland Pipe Line Company represented an investment of more than $3,000,000 constructed at a time when building costs were low. The depreciated value of the properties as carried on the books of Cumberland, at the time of our purchase, was close to a million dollars, which was almost two-thirds as much as Ashland's total net worth. The principal stockholder in Cumberland was the Rockefeller Foundation, which owned approximately 25 percent. The balance of the stock was publicly owned, since it was traded on the New York Curb Exchange. Some of my friends and associates thought we were taking on more than we would be able to handle.

The Kentucky pipelines were reported as showing an operating loss of about $15,000 per month, and Mr. Towl, obviously, wanted to make a sale. We were anxious to buy the properties because ownership would assure our supply of Eastern Kentucky crude oil. A purchase price of $420,000 was agreed upon, of which $60,000 was to be in cash and the balance in four installments of $90,000 each, payable every six months. It was one of the very few times that we have ever paid for properties in installments. In addition to the pipelines, rights-of-way, pumps, tanks, and buildings, we were to receive such excess oil as might be in the "over and short account." Apparently no one knew—and certainly we didn't—the amount of oil in that account, as it did not show on the books of Cumberland. It turned out to be worth in excess of $100,000.

Within a few weeks, we had put into effect many economies which turned the previous operating loss of Cumberland into a profit of more than $15,000 per month, thereby providing the installment payments as they came due. Our economies did not involve any reductions in wages; Mr. Towl had agreed that Cumberland would take care of any employees we might not require. One girl in our office, with a comptometer, took over the work which was reported to have required much of the time of

fifteen men at Oil City, Pennsylvania, who had been receiving the crude oil runs by telegraph daily from each Kentucky lease and had been computing the number of barrels by hand. That was twenty-five years ago. Today, a large electronic computer could do the same work in a few minutes each day.

I ask your indulgence for having reminisced at such length concerning the details of the acquisition of our first refineries and of the Cumberland Pipe Line properties. Unquestionably, these transactions determined the future of our Company by setting a pattern for the subsequent expansion which, without unusual risk, has enabled our small initial venture to grow into the organization which you of the Newcomen Society, and so many guests, are honoring tonight.

Our favorable purchases and successful operation of properties, which had shown losses for their previous owners, encouraged us to believe there must be many similar opportunities. Much of our expansion occurred during the early '30s when so many recently-established companies, such as ours, were thinking in terms of retrenchment. Capital was not readily available; earnings tended to be meager, yet Ashland Refining was looking constantly for profitable expansion, and some of its most important acquisitions came during the depth of the Depression.

We were especially interested in finding ventures connected with the refining, transportation, or marketing of oil products, which had failed to meet with success because of unfavorable situations which could be corrected. If they fitted into our over-all objectives and we thought we could convert them into profitable operations, we were willing to invest our available funds, even though we knew there would be problems of the kind most people would prefer to avoid. In more recent years, however, our most favorable mergers and acquisitions have been facilitated by tax considerations or other personal reasons of the owners.

Ours is a highly competitive, rapidly growing industry which calls for constantly increasing capital expenditures. It is not surprising that the individual owners of some of the most successful independent oil companies have been unwilling to continue to reinvest all of their earnings, and frequently increase their indebtedness, in order to provide the new facilities required by an industry which becomes more technical and more complicated each year. Often a tax-free exchange of the stock of their privately-owned company for the stock of our publicly-owned company has offered them a satisfactory solution.

In a few instances we have taken over businesses which otherwise might have been obliged to liquidate. Occasionally, we have paid relatively high prices for properties which had a special value to us. We have not hesitated, on occasion, to purchase obsolete manufacturing equipment in order to acquire the associated sales volume. It is much easier to construct new equipment than to build sales. We have greatly expanded and modernized the most of the operations we have acquired. In fact, we have spent $41,500,000 for improvements to the plants and facilities we have purchased from other companies. Usually we have been able to help earnings by increasing production without increasing the number of employees. Almost invariably we have been able to raise wages.

Each of the many companies in the Ashland group has contributed not only physical properties, business experience, customer relations, and financial strength, but collectively they have developed a corporate personality which is as truly the composite of all its forebears as is the personality of a person the product of his heredity and environment. Of course, every business organization has its own distinctive personality; few corporations, however, so comparatively young as ours, have been privileged to draw upon the resources of so many predecessors and profit from such a remarkable business heritage.

The name of "*Ashland*" was adopted in 1936 for the new parent

corporation because Ashland Refining Company, through its refining and marketing operations over a period of twelve years, had become better known than its parent, Swiss Oil; and the officers of Ashland, upon the death of Senator Thomas A. Combs, President of Swiss, had been elected to the management of that company. The original officers of Ashland Refining have provided, for the past thirty-two years, much of the management of the operations of the Ashland group of companies.

Looking through the roster of people who have contributed importantly to the success of the Ashland group, we find among them those who were associated with Swiss Oil, Union Gas & Oil, Great Southern Pipe Line, Great Eastern Refining, Tri-State Refining, Cumberland Pipe Line, Minamax Oil, Western Reserve Refining, Allied Oil, Central Pipe Line, Canton Refining, Cleveland Tankers, Lakeland Tankers, Aetna Oil, Freedom Oil, Valvoline Oil, Galena, Frontier Oil, National Refining, and many others.

Valvoline, Freedom, and Galena date back to the earliest days of the oil industry, when crude oil was refined to make lubricants and coal oil—twenty-five years *before* the gasoline engine. Those names and their supporting organizations have retained their identities through the years, and now are an important part of the Ashland group. National Refining was a lusty, strong, independent oil company before the turn of the Century. Their *White Rose* and *Enarco* brands were known to thousands. Cumberland began laying, in 1902, its pipelines, which continue to serve the oil fields of Eastern Kentucky.

The Aetna Refinery was one of the first in Kentucky and was operating succesfully when Swiss was organized to drill for oil, in 1918. Great Southern, which provided the initial refining experience for the management of Ashland Oil, built the first "independent" pipeline into Lee County, giving competition to the older, Standard Oil-affiliated, Cumberland Pipe Line. Great Southern supplied crude oil to dozens of independent refiners, including five plants which now, more than thirty years later, are in the Ashland group.

Swiss Oil furnished the financing and was responsible for the organization of Ashland Refining in 1924, acquiring, in 1925, Union Gas & Oil, which then was the most important producer of Kentucky crude oil. Meantime, Ashland Refining had purchased the refinery and towboat and barge of Great Eastern Refining Company as well as the associated marketing properties of Minamax. Tri-State Refining Company then was building a competing refinery at Kenova, West Virginia, to be followed by a river terminal at Covington, Kentucky, near Cincinnati, and then by their purchase of the extensive West Virginia marketing properties of Hi-Grade Oil & Gas Company. That same year, Allied Oil was organized in Cleveland to market fuel oil to the steel companies, receiving much of its supply from Ashland Refining. Allied was responsible for the organization of Cleveland Tankers, Lakeland Tankers, Canton Refining, and Central Pipe Line. Shortly thereafter, Frontier entered the scene as a fuel oil marketer in Buffalo, and later built a successful refinery.

Ashland built its first modern towboat and barges in 1936, and soon augmented its crude oil supply with purchases of oil from the Illinois Pipe Line at Owensboro, Kentucky, making its first movement of crude oil *by water*. Later, the extensive Western Kentucky gathering system of the Illinois Pipe Line Company was purchased by Ashland and combined into a joint operation with the Fordsville gathering system of another company, thereby further increasing Ashland's crude oil supply. In 1945, Ashland purchased from a major oil company more than 400 producing wells in Lee County, Kentucky, along with the affiliated refinery at Pryse and pipeline system formerly owned by Great Southern. Thus, those properties and the management of Ashland Oil became associated again after more than twenty

years' separation. This acquisition permitted the consolidation of the Cumberland and Great Southern pipelines, which for so many years, had duplicated service to the same oil fields, their lines often lying only a few inches apart in the same creek bottom.

The merger into Ashland Oil, in 1948, of Allied Oil and its affiliated companies added 50 percent to the size of the Ashland group. Ashland thereby secured a foothold on the Great Lakes, to be further strengthened by the important merger, in 1950, with Frontier Oil Refining Corporation at Buffalo. The Frontier acquisition included a well located small refinery, a number of valuable gasoline service stations, 12,000 domestic heating oil customers, and an extensive industrial fuel oil business. A few months later, Ashland purchased the Findlay, Ohio refinery of the National Refining Company and gained, also, another fine sales organization. The linking of that plant by pipeline with the terminal at Toledo, acquired through Allied Oil, and thence by pipeline with a new terminal constructed at Detroit, put Ashland products into those great industrial areas.

Ashland also was strengthening its position in Kentucky by merging with Aetna Oil, thereby acquiring a refinery at Louisville and extensive marketing facilities in Central and Western Kentucky and along the lower Ohio River. About the same time, Freedom-Valvoline Oil Company came into the Ashland family, giving the group a nationally advertised brand name—*Valvoline*—known throughout the world; and with a refinery equipped to manufacture premium quality motor oils and lubricants. *Valvoline*, which this year is celebrating *its 90th Birthday*, is reported to be the oldest trade name in the oil industry. It was awarded the gold medal for lubrication at the Paris Exposition, in 1875.

Kellogg Petroleum Products, a more recent acquisition, obtained through an exchange of stock, added more than 100 service station outlets in Buffalo and vicinity, and 5,000 fuel oil customers—also, a fine sales organization to support the Frontier refinery. Scores of other local marketing operations have been added to provide better distribution of our refined products in our principal marketing area, extending from Tennessee on the south to Wisconsin and Michigan on the north, and from Illinois to western Pennsylvania and New York State. Similarly, acquisitions of important crude oil producing properties, in Texas, Louisiana, Oklahoma, Montana, and the Illinois Basin, have added to our crude oil supply.

Almost every month additional properties or companies are acquired by the Ashland group. Although the most of these additions are comparatively small, yet their acquisition is of vital importance, of course, to the personnel associated with the properties, and every acquisition makes its distinctive contribution; otherwise, there would be no justification for the addition, since increased size, alone, has no merit.

There are many problems inherent in the methods of expansion which we have used so extensively. Questions pertaining to personnel must be put at the top of the list. We consider the *morale* of an organization the most important single factor contributing to business success or failure. The feeling of personal insecurity, often associated with mergers, must be overcome. It must be replaced with the confidence that there will be greater opportunities and that every employee will be advanced without favoritism. Mergers must not result in stepchildren.

Every organization has in it much that is good and desirable, but each organization also has its weaknesses and peculiarities. A merger of two companies is far more than a financial transaction. Sometimes there are financial complications, but financial problems, because of their very nature, have a common denominator; in the case of our Company their solution always has been simple, as compared with problems pertaining to *people*. Unquestionably,

problems pertaining to personnel require more careful attention when large cohesive groups of people are added through mergers, than when organizations expand through the selection and employment of individuals such as is characteristic of the usual industrial growth.

Mergers frequently require the reconciling of different philosophies of business. Planning and patience are necessary in order to avoid inequities to individuals and to protect personal pride. It is not easy to bring two groups of people, who have been trained differently, into a smoothly functioning team under a consolidated leadership. The acceptance of a certain amount of entrenched inefficiency may be necessary; likewise new talent must be recognized and rewarded. A period of months may be required in which to relocate people into positions where their abilities may be better utilized and their shortcomings minimized.

In connection with every merger or important acquisition, there usually will be differing policies as regards employee relations, wage scales, pensions, insurance, retirement, the selection and training of supervisors, delegation of authority, the type of executive organization, communications between individuals and departments, and dozens of varying customs which can become a source of dissatisfaction. All of these and many other factors, some of which are quite intangible, directly influence the morale of an organization.

A critical analysis of the basic business policies and philosophies of the Ashland group of companies, which I believe is appropriate for this occasion, is difficult for me to present, since I have been so closely associated with their development.

To provide a more objective appraisal, I shall take the liberty of quoting excerpts from a dissertation submitted by Joseph L. Massie, to the faculty of the School of Business of the University of Chicago, in connection with his candidacy for the degree of Doctor of Philosophy. The subject of his thesis was *Management of a Growing Company: Ashland Oil & Refining Company.*

❦ ❦

Doctor Massie, a student of Business Management, who formerly taught that subject at the University of Kentucky and now is Assistant Professor of Business Administration at the University of Chicago, spent the greater part of three years studying the history and management of our group of companies. The records of the Company since the organization of Swiss Oil and Ashland Refining, including personal correspondence and my hundreds of reports to the directors over a period of more than thirty years, came under his careful scrutiny. He interviewed scores of people, including our competitors.

❦ ❦

Under the heading of *Objectives of the Management,* Doctor Massie states:

❦ ❦

"Survival was the primary objective of the management in the early period. Although large profits were made in the first few years, the management refrained from expanding at too great a rate. The conservative credit policy, the retention of earnings, and the continued use of relatively old equipment were reactions of the Blazer management to the earlier policy of the Swiss Oil Corporation. Probably Blazer reasoned that first he must build security within the structure of the Ashland Refining Company. His early success in the development of a good credit rating for the subsidiary and the ability of the subsidiary to obtain funds on its own credit, . . . illustrate the result of this drive for security first.

❦ ❦

"After survival seemed assured, the primary objective changed to gaining greater security of the company's competitive position. In this connection growth became important. While growth itself never appeared to be an objective, numerous comments pertained

to expansion as a means of 'insurance' . . . ; in the later years he appeared to fear that the company might become too large.

❦ ❦

"A third objective of the management related to management's responsibility to employees and to the public. The development of the 'Ashland family' illustrates a means by which the management sought to gain its goal. Location of the firm in a small community caused the management to identify its goals with those of the locality. This objective which involved treating each employee on a personal basis, had definite effects upon techniques of management.

❦ ❦

"The 'family' goal of the management established an atmosphere that permitted the development of strong informal organizations. While these spontaneous groups often were evident only upon close study of the operations, they formed a most important aspect of the total organizational picture.

❦ ❦

"This objective extended to all those with whom contacts were made, e.g., the community, business suppliers, and customers, etc. The chief executive felt that good public relations could best be achieved by every operating employee without formalization of functions. As a result, no executive held the title of public relations specialist. It was felt that an atmosphere of informal action rather than formal planning would result in more sincere, and therefore more effective, public relations.

❦ ❦

"As the company became larger the management initiated several actions in an effort to maintain high morale by means of the family concept. In line with the theory held by the chief executive that it would be advantageous for the employees to own the stock of their company, the company offered several stock purchase plans to employees, beginning in 1938. A type of profit-sharing plan was initiated in 1947 in which 'employee dividends' were paid quarterly to employees and declared by the board of directors in the same manner that the board declared dividends on stock.

"A fourth objective of the management was to promote competition in the industry through positive actions. . . . Although the chief executive managed a small company, which was the type that the government sought to help, he consistently fought efforts to freeze a formal pattern by regulation of the industry. This attitude first became clear during the days of the NRA codes in the 1930's when Blazer was an important industry leader on government committees. This experience with government administration had a lasting effect upon his ideas of management. Many of the formal techniques employed in government did not fit administrative experiences in the small company. In December 1933 he first indicated his thinking to the board of directors: 'Our company . . . has less to gain and more to fear than others from this regimentation of the industry.' It was his belief that Ashland's advantages were based upon a unique group of factors which would be neutralized in any governmental effort to 'stabilize' or 'regulate' the industry; a small growing company should not seek to freeze a pattern in which it has a small share.

❦ ❦

"Throughout the thirty-year period, Blazer took an aggressive part in the fight of the 'independents' against the 'majors'; yet he preferred to emphasize direct competitive means rather than appeals to Congress or to the courts. In fact Blazer gave testimony before Congressional committees which had the effect of supporting the interests of the major companies. Several times this action was taken to show the 'majors' the importance of the support of independents—a part of the larger picture of 'bargaining power' with the larger companies. Such moral suasion to get an 'even break' from the larger companies, e.g., through admittance into pipe lines, through exchanges of gasoline, etc., were in Blazer's opinion much more effective than appeals to legislative or judicial power.

"Underlying the concepts of management which evolved in this company, the idea of flexibility has been pervasive and fundamental. The emphasis that the chief executive placed upon this

single idea was fundamental to most of his managerial techniques. Flexibility in this context refers to the quality of adaptability to external changes, susceptibility to modification of actions, resiliency of policies, and responsiveness of the entire organization to meet new problems; it is the antonym of rigidity, unchangeability, inflexibility, and inelasticity.

❦ ❦

" . . . The recognition of this concept of flexibility is by no means new; many writers have referred to certain aspects of the idea. None, however, appear to have placed as great an emphasis upon its application to a growing firm as did the chief executive of the Ashland Oil & Refining Company.

"A major part of the concepts of management that proved useful to this management can be classified under five distinct types of flexibility: *(1)* technological flexibility, *(2)* marketing flexibility, *(3)* financial flexibility, *(4)* personnel flexibility, and *(5)* organizational flexibility."

❦ ❦

In his comments on personnel flexibility, Doctor Massie states:

"A fourth aspect of flexibility relates to dependence upon executives who are 'generalists' in lieu of specialists. Blazer felt that this phase of flexibility resulted in high morale and good cooperation and was, therefore, essential to other aspects of his philosophy. He outlined this idea in a Commencement Speech, in 1950:

> " 'The demand for trained men to fill the best jobs in large companies exceeds the supply. There are more vacancies near the top than down the line. I don't know why that should be, unless it is because large business is inclined to make specialists out of its key people, thereby precluding breadth of experience. Possibly a contributing factor is the necessity for the various levels of authority in big business to make decisions and assume responsibility for those under them. Or it may be because so much emphasis has been placed on technical training and not enough on those qualities which make for leadership. In that connection, we must never forget that essentially we shall

always live in a world of people—rather than in a world of things. Others can do for us more than we can do for ourselves.' "

I am most appreciative of Doctor Massie's permission to quote so extensively from his analysis of the objectives of our Company and of his appraisal of the philosophies of our management—particularly as regards our attitudes and relations with employees, with the U. S. Government, and with the public.

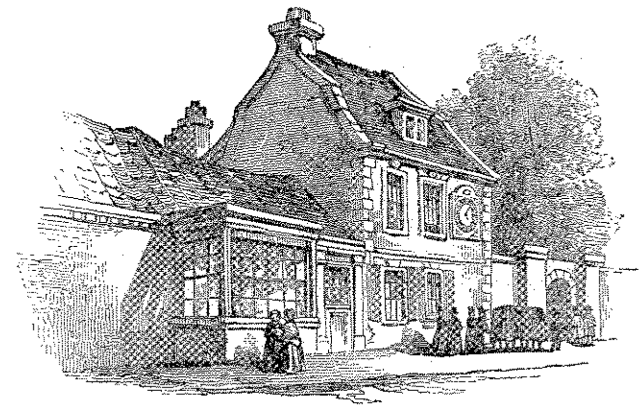
These fields of human relations are deserving of, and are receiving, greatly increased attention from all corporate managements. As a company grows, the complexity and the importance of these relationships increase. In an expanding industry, however, continued corporate growth, and skill in the solution of related problems appear to be necessary for competitive survival. The degree of success of management in meeting these interesting challenges appears to me to be of even greater significance than the growth of the business.

As Ashland Oil has continued to grow, so we have struggled to retain the informal, friendly organization of a small company. We have endeavored to inject into our relations with the public, our employees, customers, and stockholders, what I like to think of as a *small-town, large-family* attitude! That becomes increasingly difficult now that we are owned by 30,000 stockholders, and operate in hundreds of communities through a number of thousand employees, with sales of $250,000,000 per year.

We hope, however, that we have engendered throughout our entire organization a loyal, friendly, cooperative spirit, which will leave its imprint for many years. If we have accomplished that, we need have no fears concerning the future!

THE END

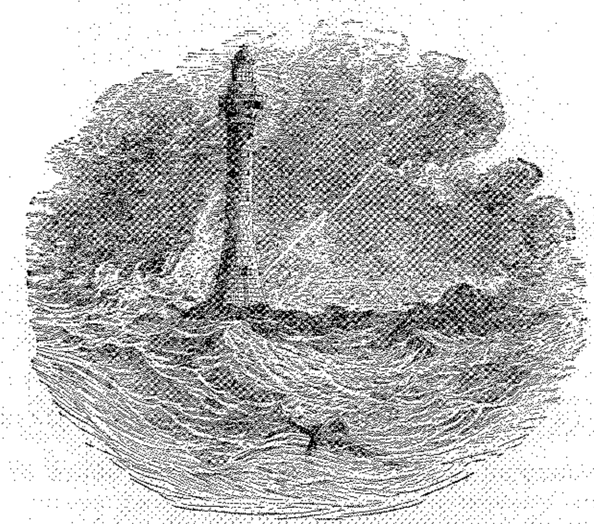
"Actorum Memores simul affectamus Agenda!"



THIS NEWCOMEN ADDRESS, *dealing with the history of* ASHLAND OIL & REFINING COMPANY, *was delivered at the "1956 Kentucky Dinner" of The Newcomen Society in North America, held at Lexington, Kentucky, U.S.A., on April 24, 1956.* MR. BLAZER, *the guest of honor, was introduced by* EDWARD S. DABNEY, *President, Security Trust Company of Lexington; Member, Board of Directors, Ashland Oil & Refining Company; Vice-Chairman of the Kentucky Committee, in American Newcomen. The dinner was presided over by* JOHN E. TILFORD, *President, Louisville and Nashville Railroad Company; Chairman of the Kentucky Committee, in this international Society.*

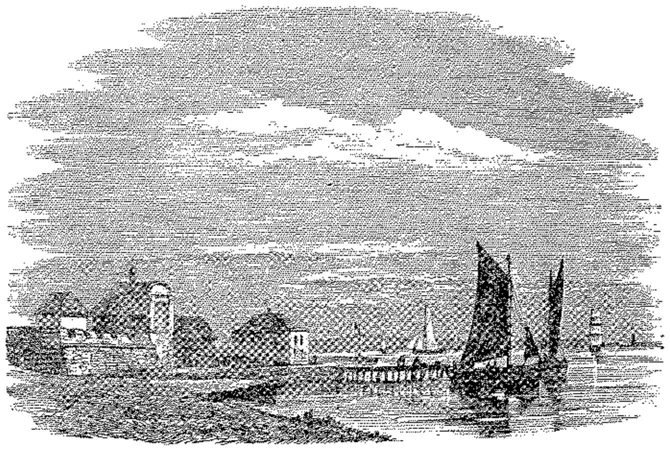
"As Ashland Oil has continued to grow, so we have struggled to retain the informal, friendly organization of a small company. We have endeavored to inject into our relations with the public, our employees, customers, and stockholders, what I like to think of as *a small-town, large-family* attitude. That becomes increasingly difficult now that we are owned by 30,000 stockholders, and operate in hundreds of communities through a number of thousand employees, with sales of $250,000,000 per year."

—Paul G. Blazer



"As I conclude this review of growth and operations, let me say that it is our hope to have engendered throughout our entire organization a loyal, friendly, cooperative spirit, which will leave its imprint for many years. If we have accomplished that, we need have no fears concerning the future!"

—Paul G. Blazer



GENIUS IN EXECUTIVE MANAGEMENT, *within the ranks of Industrial America, has accounted for much of the success of corporate enterprises. Mostly, the inspiration giving a touch of genius can be found in the principal executive-head of the enterprise. In the Newcomen manuscript you have just read, he tells with restraint and modesty the life-story of his Company. Moreover, he analyzes and explains the philosophy of his approach to industrial development, with its multitude of angles of problems and solutions. Well-written, consistently human, his narrative well may point a way for others in executive responsibilities.*

THE NEWCOMEN SOCIETY
in North America

MORE THAN *30 years ago, the late L. F. Loree (1858-1940) of New York, then dean of American railroad presidents, established a group now known as "American Newcomen" and interested in Material History, as distinguished from political history. Its objectives center in the beginnings, growth, development, contributions, and influence of Industry, Transportation, Communication, the Utilities, Mining, Agriculture, Banking, Finance, Economics, Insurance, Education, Invention, and the Law—these and correlated historical fields. In short, the background of those factors which have contributed or are contributing to the progress of Mankind.*

The Newcomen Society in North America is a voluntary association, with headquarters in Uwchlan Township, Chester County, within the fox-hunting countryside of Eastern Pennsylvania and 32 miles West of the City of Philadelphia. Here also is located The Thomas Newcomen Library, a reference collection open for research and dealing with the subjects to which the Society devotes attention.

Meetings are held throughout the United States of America and across Canada at which Newcomen Addresses are presented by leaders in their respective fields. These manuscripts represent a broadest coverage of phases of Material History involved, both American and Canadian.

The approach in most cases has been a life-story of corporate organizations, interpreted through the ambitions, the successes and failures, and the ultimate achievements of those pioneers whose efforts laid the foundations of the particular enterprise.

The Society's name perpetuates the life and work of Thomas Newcomen (1663-1729), the British pioneer, whose valuable contributions in improvements to the newly invented Steam Engine brought him lasting fame in the field of the Mechanic Arts. The Newcomen Engines, whose period of use was from 1712 to 1775, paved a way for the Industrial Revolution. Newcomen's inventive genius preceded by more than 50 years the brilliant work in Steam by the world-famous James Watt.

Members of American Newcomen, when in Europe, are invited by the Dartmouth Newcomen Association to visit the home of Thomas Newcomen at Dartmouth in South Devonshire, England, where the festival of "Newcomen Day" is celebrated each year on the anniversary, August 16th, of his death.

"The roads you travel so briskly
lead out of dim antiquity,
and you study the past chiefly because
of its bearing on the living present
and its promise for the future."

—LIEUTENANT GENERAL JAMES G. HARBORD,
K.C.M.G., D.S.M., LL.D., U.S. ARMY (RET.)
(1866-1947)

Late American Member of Council at London
The Newcomen Society of England