

idea concerning the exact field which such a section should cover. Some feel that it should include the functions of the comptroller, others the functions of the treasurer, and others, of whom I am one, think it should include the functions of every major executive, *but always from the viewpoint of the chief executive.*

Some, while recognizing the difference in the viewpoint between the chief and a major functional executive, are unable to see that this difference is sufficient to warrant separate discussion. Quite a number, especially the accountants, are unable to see anything in what is suggested other than administrative accounting.

Because of these differences of opinion, and of the impossibility of disposing of them through argument, I agreed to outline what I saw in the position of the chief executive—his responsibilities, his duties, and, primarily, a *method through which he might function effectively.* It is for you to determine whether these things suggest a field for investigation and development along sufficiently different lines from those we have been following to warrant the establishment of a special section of the Society for their discussion.

II. THE FUNCTIONS OF THE CHIEF EXECUTIVE

The function of the stockholders and directors is legislative; that of the chief executive is executive. A stockholder or a director who in that capacity executes, or a chief executive who in that capacity legislates is a failure.

The chief executive, as I see him, is the neck of the bottle through which passes the authority and responsibility established by his directors, and accordingly his functions may be briefly summarized as follows:

1. To interpret the policies of the stockholders and directors in terms of the concrete problems of the enterprise and to represent them.
2. To work out with the directors the objective of the enterprise and the scope and limitations of its activities.
3. To select, appoint and maintain the major executives necessary for the conduct of its affairs.
4. To present the objectives determined upon to the major executives, and to work out with them a plan for their accomplishment evidenced by a budget expressed in the terms of men, money and things, and subdivided according to the responsibilities for its execution.
5. To follow up the activities of the enterprise and

keep the directors informed as to results and their significance.

6. To constitute an available sympathetic and informed counselor to the major executives and to help them to adjust such differences as may arise between them.

7. To keep the major executives informed of each other's accomplishments and help them to see themselves and their functions as part of a whole which is greater than any one of them.

8. To follow up and appraise the work of major executives in terms of their assigned responsibilities and budgets, and to help them to see themselves and their work as their associates see them.

I have said nothing with reference to the issuing of orders or settling of disputes, or in fact the dealing with detailed things at all, as part of the function of the chief executive. These have no place in his duties as chief executive. If a business is small, and he happens to assume detail duties, such service should never be permitted to be confused with his service as chief executive.

No Man Effectively Responsible for What is Beyond His Control

Ability to judge and select men is frequently considered the greatest attribute of a chief executive. In the sense of the word "chief" and omitting the word "executive," this is true; but such a man depends largely upon the executive ability of those whom he selects rather than himself for the direction of his affairs.

This by no means implies any belittling of the man who has the ability to select others to do his work for him. Beyond all question, provided the organization which he serves is big enough and those he selects are made conscious of their responsibility, he is the most valuable man an organization can have; but I think it is a mistake to call him *chief executive.*

The title "Chief Executive" conveys responsibility as well as authority, and no man can be effectively responsible for that which is beyond his individual control. The right to hire and fire does not carry with it the *guidance* implied in effective control, which should be the basis of all direct responsibility and the essence of the function of the executive.

The position of the chief executive has two distinct phases:

- A. Functions.
- B. Methods.

The latter phase is the one under special consideration to-night. I have referred to the former only because without a brief statement of the "Functions," one cannot judge the effectiveness of the "Methods" to be described, and there is not time in one evening to deal with both. Methods are the least understood, and without them there can be little hope of realizing one's objectives, regardless of the wisdom of a plan or the spirit of its execution.

III. METHODS FOR THE CHIEF EXECUTIVE

Methods may be defined as a means whereby:

All the facts are made available.

Policies and plans are co-ordinated and expressed.

Results are fairly appraised.

Causes and responsibilities are traced.

There is probably no one thing which will be shown you to-night of which you have not seen an equivalent. I want to make it clear that I am not interested in these *separate* phases, or alternatives for them, but in their *co-ordinated relation as a whole.*

Most of the methods in common use have come from the bottom up, and consequently are limited to the scope and objectives of the departments for which they were designed. They are like the different monetary systems of the world.

It is generally recognized that it would be a great advantage were all the enterprises within an industry to keep their books alike. An effort in this direction has been made by the Interstate Commerce Commission with reference to the railroads. It is this sort of thing carried, however, beyond conventional accounting to *duties and responsibilities and the co-ordinating of functions* that I have in mind. The object of to-night's talk is to present the outstanding features of the evolution of big business in this direction, and to present them in their *co-ordinated relation* so that one may *see them as a whole.*

Accounting as a clearly defined technique is much older than management and developed an integrity of its own long before management can be said to have existed as anything more than an undifferentiated faculty. This accounts for a certain domination which accountants have exercised over owners, if not over managers. To-night, however, one may see the clear domination of management, without the sacrifice of any fundamentals of good accounting.

The chief executive of the past has been a victim of his organization. Its ramifications have been so

many and varied as to make it impossible to unify them. He has, of necessity, spent much of his time in "figuring exchange," as it were.

This was necessarily the case until each unit could become sufficiently developed to demonstrate its needs. These needs are now well known, and the time has come when we must reduce them to the smallest number of common functions and denominations, that the chief executive may more easily co-ordinate them and have time for those broader features of his position which are coming into strong relief as the confusion of pioneer work clears away.

As a first step, responsibilities and duties must be more clearly defined and all results expressed in common terms. For instance, the statement for the chief executive can and must be *literally a copy of the summing lines of the statements of those executives to whom he has delegated duties and responsibilities, added together,* if he is to be effective as chief executive.

To accomplish this, one must first find some form of expression of results suitable alike to *all* subdivisions of an enterprise, and at the same time such as to enable the setting of standards, *readily adjusted to the changing conditions of industry,* by means of which these results may be judged.

Profits and losses will not do. They are affected by too many things. They are in their nature a final result; by the time we get them it is too late. What we want is information with reference to the things antecedent to profits and losses—from which profits and losses result—while there is yet time to affect them.

If you had to motor to Tarrytown, a distance of some thirty miles, in an hour, while your watch would tell whether you got there in the hour, it would be of no help in determining your progress while there was still time to affect it. If, when the hour was up, you had not reached Tarrytown, you would be in the same position as the executive who must wait until a loss is irretrievably made before he discovers that he has been losing.

But if you had a speedometer, the moment your speed slackened to less than thirty miles an hour, even though it were in the first mile, you would know you must make up this lost time if you are to get to Tarrytown in the hour.

Similarly in industry we must know the costs from week to week or month to month, and *always with reference to revenue,* if we are to have any assurance as to how we will come out at the end of the year.