

THE PLANNING DEPARTMENT AS AN INSTRUMENT OF EXECUTIVE CONTROL¹

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IS IT possible to organize and develop the planning function of a business (or any other social or industrial activity) to a point where it may furnish the chief executive with such an accurate picture of past performances, present conditions and future probabilities that he may safely use it as an instrument of executive control? This I take it is the question suggested by the topic for this evening's discussion. Undoubtedly planning, if it can be made an instrument of control, will do much to remove the uncertainties and hazards from our industrial life and substitute for them a marked degree of confidence as to what will happen in the future under stipulated conditions.

There is no doubt that this question can be answered in the affirmative. The planning department can be made a most dependable and effective instrument of executive control. But this will never be accomplished unless certain essential and fundamental facts are recognized and utilized. There are still too many of us who talk rather loosely of scientific management without realizing all that the term implies. There is a tendency to do only part of the work and act as if the job were done. A system of stores control, a method of setting rates on the basis of time study, a plan of routing work through the shop, a scheme of collecting costs, an advertising and sales campaign—any one or a number of these are sometimes cited as evidence that a plant is operating under scientific management. As a matter of fact it is too often the case that these very useful mechanisms of good management are looked upon as being the substance itself, rather than merely the tools that may be used in building the structure.

If we wish to use the planning department to the full extent of its potential value as a factor of scientific management, it is essential that we first bring ourselves to a correct understanding of just what conception we have of management. When Taylor characterized management as a science he really meant all that

the name implied. Science is defined as "knowledge gained by systematic observation, experiment, and reasoning; knowledge coordinated, arranged, and systematized." Management considered in this light ceases to become an aggregation of uncoordinated activities, each arising from opinion or surmise or so-called "good judgment," operated largely by means of compulsion or force. Instead it assumes the dignity of a real profession founded on fact and controlled by fundamental principles and laws. Every function is analyzed to determine its individual value and also its value relative to the whole scheme, and only as this is accomplished by continuous study and experiment and a knowledge of the facts can we claim to be developing a scientific method of management.

Any industrial organization presents a complex study from the standpoint of science. For we have to reckon with physical forces in the application of mechanisms to the processes of production and deal as well with spiritual forces in the relationships between human beings. We have to deal not only with chemistry, physics, mechanics and mathematics, but with ethics, psychology, and the science of human relationship as well. Taylor covers all of these when he lays down the fundamentals of scientific management as a study of the job, a study of the individual, the proper allocation of the individual to the job, and a full realization on the part of management of its ever-growing responsibility when it undertakes to direct these industrial and social activities.

The planning department was originally intended as an office in which the preliminaries to starting a piece of work could be arranged before the order for it was delivered to the shop. This meant confining a considerable amount of clerical work to a shop office instead of having it done on the work floor. Skilled mechanics and other workers who had previously done this kind of work were relieved of it and enabled to devote their full time to the work for which they were trained. At the same time clerical workers in the office performed more efficiently and at less cost, work previously handled in a very hit or miss

fashion on the shop floor. It very soon became apparent that there were numerous jobs of a variety of kinds in connection with the work of the shop that could be done beforehand in a clerical department, and there followed rapidly the development of the shop planning department as we know it today. In it are located various functions all contributing to the efficient operation of the work. Preparing designs, specifications and bills of materials, scheduling jobs for machines and work places, controlling stores supply, establishing standards, setting rates from time study and analysis, standardizing machines and tools, computing earnings, compiling costs, maintaining records and devising methods of procedure and practice all are now centralized in a planning department. This department is primarily one of service. It is performing for other departments certain tasks that have to be done by someone, somewhere, somehow; and by its performance it is lowering the cost of production. No activity has any place in scientific management unless it definitely and in a measurable degree reduces the cost of production without in any way sacrificing quality, or furnishes some information essential to the intelligent operation of the business. The service rendered by the planning department has until recently been largely confined to coordinating the various factors of production, with a view to the elimination of waste in the process of manufacture—waste of material, waste of time, waste of effort. And the only reason that it continues to function—indeed to increase in importance and responsibility—is that it has demonstrated its value in the elimination of waste and the consequent reduction of costs. No more striking proof of this can be offered than that evidenced by the fact that today practically every industrial concern with any pretension to importance boasts its "planning department." Most of these are far from being scientifically conceived or operated according to our proven theories, but they undoubtedly indicate that industry with a growing consciousness of its imperative need is reaching out for something better in management, and is inevitably approaching a realization of where that need may be satisfied.

When we fit a planning department into a modern industrial organization with the distinct purpose of making it a useful and reliable instrument of control for the highest executives we follow quite logically along the same path that led to its original conception.

By means of scientific investigation and analysis the modern planning department must furnish the higher

executives all information that may aid them in making decisions and determining policies for the economical and effective running of the business. All the varied activities of the business whatever their nature are coordinated by means of methods set up in harmony with a unified plan. These methods become the effective instruments for the control of inventories and the manufacture and distribution of the product. They make possible the securing of information necessary not only for efficient production but for the economical operation of the business as a whole.

The last two or three years have witnessed a revolution in our conception of business. Economists are emphasizing the fact that our capacity for production, expanded to supply the needs of war, may be fully utilized in times of peace only if this output can be delivered at a price which will permit and induce the public to consume it; that the surplus of producing facilities will in the end tend to reduce prices by means of more efficient management evidenced in improved methods of purchasing, manufacture and marketing. In other words the elements of finance, production and sales must be coordinated and business must be studied and treated as a whole and no longer as a collection of separate and often competing units.

It is with this larger conception of business in mind and with a full realization of the obligations which it places on the shoulders of management that we look to the further development of our planning function into an instrument of greater service and of practical executive control.

In order to give our subject the consideration it really merits we might quite profitably take up one by one the separate divisions of the planning department, describe how each should be organized to be most effective, explain how each one is dependent on all the others and why no one can be of any value by itself. But such a program would cover not one but several papers together with a general summing up of all of them; so we must make the assumption that we have in mind a well-conceived and operating department into which have been gathered all the activities usually associated with planning, and see how this may be utilized best for the ultimate end we have in view, and what features must be emphasized and strengthened to make it better serve its ultimate purpose.

The first and the most essential thing is to have a classification of the business or whatever other activity we are considering. By classification is meant a tabulated outline which shows every activity of the organ-

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