

- b. Proper relative evaluation of the operating units and grouping of these along related lines;
- c. Existence of clear lines of authority, responsibility and reporting relationships, together with effective control, direction and supervision.

The functions of a bank have already been briefly outlined and, while every bank does not include all of them and some stress one function and some another, those enumerated may be regarded as typical. Lest it be thought that in describing these functions in the early pages of this paper the writer is working backward from a conclusion, it should be stated that unlike many types of commercial or industrial enterprise, banking has never had any difficulty in drawing clear cut lines of cleavage between its various activities. Because of their very nature, the necessity for dispatch and the many different types of service rendered, banks have been forced from the beginning to recognize the need for specialized skill in the performance of each service, and, consequently, to separate their work along distinct lines.

The historical development of banking, its growth step by step from the simple function of loaning money against merchandise as security, has had much to do with this organization phenomenon. As wings are added to a building to meet the requirements of growth, so new services or functions were from time to time added to banking to meet the requirements of commerce and industry, until today, in the typical large commercial bank, we find a great many different and dissociated services.

It should be understood that the creation of these services was not the culmination of an evolutionary plan whereby they grew naturally out of the already existing nucleus and, therefore, were perfectly integrated with it, but rather they were accessions forced by the exigencies and growing demands of business and the determination of bank management to seize opportunities as they presented themselves and to remain superior in competition.

The problem of classification of activities, therefore, which presents difficulties in many industries, was practically solved from the beginning in the case of banks; the differences between individual institutions in this respect correspond to the dif-

ferences in the number of services furnished. The only angle of this problem which may be said not to have solved itself is that relating to such secondary and supporting activities as are recognized in accounting, purchasing, office and personnel service. We shall see later how the organization problem which these involved has been met.

In the very early days, when banking consisted largely of the cash function, the official commonly known as Cashier received, accounted for and disbursed cash. As the business grew, it became necessary to delegate some of this work to assistants, and positions now known as Paying Teller, Receiving Teller, etc., came into being. Since the work of these tellers was an outgrowth of the duties formerly performed by the Cashier, it was logical that the tellers should report and be responsible to the Cashier for the proper performance of their work.

From these modest beginnings we see the gradual acquisition of additional services or functions by banks. These additions, representing very small units of work at first, were naturally also placed under the control of the Cashier. In this manner it developed that the Cashier became the sole operating head of the bank, subject, of course, to the policies laid down by the Board of Directors and the President.

In the final analysis it was, of course, this latter official who was responsible to the Board of Directors for the carrying out of the policies laid down by it, as well as for the results achieved by the bank in making these policies effective. The President, however, did not occupy himself directly with the operating affairs of the bank, but usually delegated this work to the Cashier, reserving for himself the responsibility of making new banking connections so as to increase the business of the bank, passing upon the credit standing of prospective borrowers and directing the investment of the bank's surplus funds.

In line with the growth of business, the various units of work or separate services which had been added from time to time developed to the point where it became impossible for the Cashier to acquit himself satisfactorily of all of his responsibilities in connection with them. This led to the appointment of officials to assist the Cashier in his work and these officials, each assigned to a separate function, were called Assistant Cashiers.

Gradually, however, as the number of these Assistant Cashiers multiplied and the complexity and volume of the work increased, it became increasingly difficult for the Cashier to exercise proper executive follow-up over the varied fields of work which they performed. This fact and the need for specialized skill and technical training in directing the more highly specialized services of the bank, such as trusts, foreign exchange, loans and investments, etc., led finally to the complete separation of these functions from the sphere of the Cashier. As their size and importance warranted, they were placed in charge of a specialist who was given the title of Vice-President.

In the majority of large banks today, therefore, we find all specialized services under the direct control of a functional specialist, known as a Vice-President. From the operating standpoint each such service is headed by a junior official, variously known as Assistant Vice-President, Assistant Cashier, or sometimes, Assistant Manager. In most banks, irrespective of title, these officials report directly to the Vice-President in charge, though in many cases assistant cashiers report, also, to the Cashier.

This development could not fail to have an effect on the duties and responsibilities of the President as well as of the Cashier and, as Vice-Presidents were appointed to manage such functions as loan, investment, etc., responsibility for these particular branches of the work, formerly assumed by the President, was delegated to the Vice-President directly in charge. As a result of this development, the position of bank president, as we now know it, is largely one of liaison officer between the officers of the bank and the Board of Directors. It is the President's dual responsibility to interpret the policies of the Board to the officers and, on the other hand, to be accountable to the directors for the results secured by the bank in making these policies effective.

The cycle of adding to and subtracting from the work of the Cashier which has just been described, has, in most banks, left that official in practically the same position in which he was when the activities of banks were confined solely to the simple banking operations of receiving, controlling and disbursing funds. The bank itself has become virtually a combination of separate divisions, each one an almost complete, functioning unit.

B. Co-ordination of Work

It is obvious that such a vertical division of activities as described above creates within a single institution a number of line organizations with a full staff of executives and employes engaged in accomplishing the work of their particular function. Necessarily there is very little co-ordination of effort, very little uniformity of aim, very little in the way of standards of performance and a great deal of apparent duplication. Such organization faults are magnified through rapid and unbalanced growth, with its concomitant of grouping work around people instead of according to the logic of related elements.

To overcome tendencies in these directions it became necessary for banks to create a co-ordinating and controlling agency, and this function has very recently been vested in an official known as Controller. It is the duty of this official to functionalize, insofar as is practicable, the secondary services such as accounting, office service, personnel, etc., previously referred to, which have heretofore not been given special attention in the development of bank organizations.

In addition to this, there is a distinct tendency to confer upon the Controller the responsibility for establishing definite standards of performance throughout the organization, for prescribing standard practices and approving or disapproving of procedures recommended by operating officials, as well as for being directly accountable to the President for the control of banking operations through the budget.

Into this group of more or less dissociated and independent functions which we have described as the bank organization, the position of Controller, therefore, brings a management force which exercises horizontal control and binds the separate parts together in unified and co-ordinated endeavor.

The chart reproduced on the following page is typical of the organization of a large commercial bank. It shows the functionalization not only of all the essential phases of banking, but also of the service activities brought together under the Controller.

If the problem of co-ordination of activities appears to be one of the most important in the organization of a bank where the work is performed as a unit in one location, it becomes even more acute in cases where the parent institution has extended