

of his people," responsible in turn to the general manager of that division.

Divisional Organization

Each division has a line organization, responsible to the divisional general manager, with executive heads covering the functions of sales, manufacturing, accounting and office work, raw materials purchasing, supply purchasing and personnel. The executives in charge of sales, manufacturing, and accounting and office work, with the general manager, compose an operating committee which holds regular weekly meetings to formulate divisional policies and discuss current problems and the more important departmental or interdepartmental matters. Any matter which is felt to be beyond the scope of the individual division, or in regard to which the division desires further guidance, is referred to the Staff Committee, described later.

The divisional general manager is the co-ordinating and correlating executive. He has the final responsibility for decisions. The Operating Committee serves as a cabinet and advisory body and offers an opportunity for direct personal contact and discussion between the departmental executives and the general manager, who acts as chairman of the meetings. Written reports are prepared and kept on file by members of the Operating Committee as well as by the general executives of the company.

Staff and Functional Responsibilities

While the line organization of the company presents perhaps no very unusual features with the possible exception of the organization and functioning of the Operating Committees, the staff development and the functioning of the staff executives are features that are perhaps new.

The chart shows graphically the organization of the Staff Committee and the general relation of the staff executives to the line organization.

This committee consists of the president, ex-officio; the assistant to the president, who is the chairman of the Staff Committee and its active head; four senior executives who have been associated with the company over a long period and were formerly in charge of operations at the Lewis and Slatersville divisions; and a fifth executive from the Bauer & Black division.

The Staff Committee is the president's cabinet. It is concerned primarily with questions of company policy and development, with interdivisional relations, and with correlating and unifying the aims and activities of the divisions so as to promote the attainment of the broader objectives both of the divisions and of the company as a whole.

The Staff Committee meets on call from the chairman, who schedules matters to be covered. Any member of the committee may also bring up any matter, not on the schedule, which is of interest or importance. The comptroller, who is also secretary of the company, acts as secretary of the committee and prepares a complete written report and digest of all matters covered at each meeting; a copy of which goes to each member of the committee and is preserved for future reference.

The Staff Committee does not take executive action or issue instructions to the divisional general managers or to other executives. Its conclusions are all transmitted to the president in the form of written recommendations. When accepted such recommendations as require executive action are effectuated by the president himself or through the assistant to the president.

Each member of this committee has a functional responsibility for certain activities that are common to all operating divisions. Each covers the field for which he is particularly qualified by experience and training. The chart shows what these activities are and how they are tied in with the divisional organization. In these fields the staff executives work with the operating divisions principally on methods and questions of policy.

The staff executives spend considerable time at the divisions, and give the benefit of their experience, background and ideas to the general managers and their operating executives. In this way policies are unified, the best methods are standardized, and knowledge of and enthusiasm for the general aims and objectives of the company are spread throughout the organization.

The effect of this plan is to make each division self-sufficient and self-supporting from an organization standpoint, while providing a means of co-ordination and control, a basis for concerted common effort, and an avenue for disseminating information and, we believe, inspiration which we have found to be both workable and valuable to the organization.

III

The Organization Plan in Operation

How does it work? That is the pragmatic test of any plan. The plan I have described meets the needs of the situation for which it was designed. It squares with the basic principles of general administrative organization and control which were discussed in the first section of this paper. It facilitates the building and execution of sound policies. It furthers the development of a strong executive personnel of the self-starting type. It promotes the application of Taylor principles in modern form as enunciated by H. S. Person—management research, management standards, management control and co-operation. It measures accomplishment by utilizing accounting and budgetary control. It permits maximum development of the important teaching function of management. It brings out latent abilities by establishing goals, financial incentives and other stimuli. There is in it much that is of wider application to other situations and other businesses.

1. *Promotion of Constructive Leadership.* Early in this paper I called attention to the definite but not always obvious relationship which exists between the development of possible capacity for constructive leadership and the type of organization within which that capacity must function.

It is clear that regardless of the type of organization, no enterprise can realize its best possibilities without top leadership of a high order. Such leadership has been well described by H. S. Person in the following words:

"Leadership is not passive; it is an active, composite ability to induce (not impose) understanding, conviction, desire and action in a manner which leaves no disturbing impression of the mechanics of the induction. Every executive is a leader of a sort, but successfully to achieve a development of scientific management in an enterprise he must be that type known as a creative leader; one under whose leadership 'those purposes and objects will find most ready reception at the hands of those led which can most readily be seen by them to square with their own desires or with desires which they can quite readily and naturally take up as their own.' As leader he must have energy, enthusiasm, imagination, intelligence, technical knowledge, knowledge of human nature, faith

in people; and qualifying all of these, a special quality of sympathetic interest toward those led. Not only must he manifest these characteristics in his relations with those major associate executives with whom he has immediate contact, but also he must inspire all of them to desire and learn how to become creative leaders in relations with their immediate associates. The more creative the leadership at the top, the more creative, although of course not uniformly so, will leadership become all along the line."

Such top leadership we have in the head of our company. Our problem, then, is to devise a type of organization and control which will enable that top leadership to realize itself most completely in effective action, and to inspire and enable others throughout the organization to become creative leaders in their own fields and in their relations with their immediate associates.

How does our plan accomplish this?

a. It brings together in the Staff Committee a body of seasoned executives of broad and varied experience, with knowledge not only of this particular business but of the general problems of industry. They have no local or divisional interests to further, and think in terms of the welfare both of the company as a whole and of the individual divisions. Their abilities are complementary, and they have both the willingness and the ability to work in co-operation. By relieving the president of much that he would otherwise have to do, although not, of course, of the responsibility for major final decisions, they give him opportunity for forward-looking, constructive thought, and for transmitting, either personally or through the staff, his ideals and purposes to the rest of the organization.

These things are vital to the continued development and even to the life of any large enterprise in this era.

b. It develops leadership throughout the organization by establishing and defining definite line responsibilities, by selecting the best available material for these positions, by defining the goals and purposes to be attained, and by placing upon the divisional executives responsibility for attaining these goals, but with co-operation from the staff.

c. It provides in the Staff Committee an effective cabinet for the president, while each general