

part in stirring the popular imagination today as the concept of efficiency did in the period following 1912. And probably it will, as did the concept of efficiency, within a short time find that its great mission has been to stimulate both the imagination and the thinking of the American people. Except as a dramatic set-up it appears to present little not already familiar to economists.⁶ Its diagnosis of economic ills has been more completely and convincingly stated in Fred Henderson's "The Economic Consequences of Power Production." Its implications as to what should be done to establish economic life on a sound basis is seriously wanting in what Soule calls "the engineering of human consent." But it is significant that this particular movement of thought which is today arousing such widespread popular interest involves a collective planning more positive and detailed in its control of individual units of production and individual consumers than is possible in the thinking of one familiar with the philosophy and technique of scientific management.

During the two years under review the concept of national planning has found expression in more than books and the dramatic vogue of technocracy. There have been specific proposals looking toward one and another degree of national planning.⁷ Haan lists five "official and semi-official proposals" and fourteen "private proposals," and others have appeared since his study was made. Among the most noteworthy from the point of view of the specific nature of their plans are the bills introduced in the Congress by Senator LaFollette and by Representative Person, and the Swope, Harriman (Committee on Continuity of Business and Employment, United States Chamber of Commerce), and Clark-Smith-Soule plans. It is not necessary to consider the natures of these and the other proposals and the differences between them. Present interest is served by calling attention to the significance of their appearance during the past two years.

Of more significance is the fact that some sort of national planning is not only the order of the day but actually is in process of evolution. The question now is not whether it shall be but what it shall be. The Interstate Commerce Commission, the Federal Trade Commission, the Federal Reserve Board and similar institutions were primitive institutions of evolution toward genuine planning. The biggest step of all was

⁶ See for a reasonable appraisal "Technocracy, An Interpretation," by Stuart Chase, a John Day pamphlet, 1933.

⁷ Cf. Haan, Hugo, *American Planning in the Words of Its Promoters*, The American Academy of Political and Social Science, Philadelphia, March, 1932.

the Reconstruction Finance Corporation, which has made the government so interested a party in the future development of railroads and other great corporations that some sort of collective provision for the future of that interest is inevitable. Impending federal legislation for relief of agriculture and legislation by states establishing compensation for unemployment will compel the setting up of other institutions for administration, including planning and regularization. These steps cannot be retraced. The only way out will prove to be further steps in the same direction, consisting essentially of bringing together and harmonizing all of these individual institutions within some framework of co-ordination. The writer believes the die has already been cast. Our most fruitful inquiries will now be directed not toward whether there shall be national planning, but toward what form the planning shall take.

On this point a real issue confronts the American people. The issue is whether planning shall be delegated to industry itself in some form of self-government, with anti-trust legislation modified for that purpose, or to some body representing citizenship in its more inclusive interests. If the former policy is adopted planning will undoubtedly be along the line of cartelization, self-regulation of further investment, restricted production, price maintenance, and in general conservation, insofar as it is possible, of existing equity values and ownerships. This might mean a regularized sector of industry within the area of industry in its larger aspects.⁸ If the second policy is adopted, planning will be social-economic, and will be concerned primarily with consumption, the standard of living, elimination of unemployment and, in general, the social organization, to which ends business enterprises will automatically become instruments through control of the environment in which they operate and of the social mechanisms which they use. The choice of one or the other of these divergent policies is perhaps more momentous than any choice which the United States has yet been compelled to make.

⁸ "The point of view of this policy is perhaps most boldly and clearly expressed by an industrialist who does not concede the need of organized planning." Said Myron C. Taylor, Chairman of the Board of the United States Steel Corporation, in an address in Boston on March 24, 1932: "Controlled production may be expected to come about automatically, as our surplus stocks become exhausted, and as competition, spurred by necessity, discards obsolescent production equipment and adopts justifiable price control that sacrifices some part of production volume to secure reasonable price levels for commodities." He added that this means further mechanization and technological unemployment and the return of many industrial workers to the land.

Applied Scientific Management¹

II. Organization and Classification

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THE TWO things which most seriously detract from the effectiveness of management probably are; first, the lack of a definite, logical plan of organization, and second, the lack of a clear definition of functions of authority and responsibility—their scope and limitations and their inter-relation with other functions.

In his writings Taylor advocated functional organization as an essential part of scientific management. Most of his references to organization related to functions, from those of the works manager down to the foreman. He was particularly interested in functions which pertained to production, including those of an indirect or auxiliary character.

Subdivision, or functionalization, of the major branches or activities of a business was at least well started, though not general, before Taylor's time; the larger companies had sales departments, engineering or at least draughting departments, purchasing agents and book-keeping departments. Frequently, however, the men in charge of these functions were not major executives completely responsible for their respective functions, but rather subordinate assistants to the head of the business. The extent to which this trend toward organization along functional lines may have influenced Taylor's thinking and his advocacy of functional foremanship during the late nineties and early in this century is problematical. In any event the trend toward functional organization increased with the growth of the scientific-management movement.²

¹ This is the second of a series of articles which began in the October issue of the *Bulletin of the Taylor Society* (I, "Introduction: Its Applicability in All Areas of Management," p. 156).

² In his paper "Ten Years' Progress in Management, 1923-1932," Leon P. Alford comments on this as follows: "Functionalization of types of activity has spread and with it the specialization of individuals. Managers have recognized that to take full advantage of the natural aptitudes and exceptional abilities of executives, problems and duties must be narrowed in scope and submitted to special consideration and action. Apart from Taylor installations, the most significant applications of functionalization have been made during the decade just ending." (author's italics)

In this article I am treating organization and classification together for the reason that effective organization must be in accordance with a logical plan which will bring together and clearly define those functions and activities of a similar nature. This provides for functional departmentalization as well as functionalization within departments, and places the responsibility for everything having to do with a particular class of work in the hands of specially qualified executives and assistants. By analyzing the major subdivisions of a company, we may again set up sections of a department each of which will be organized to deal with certain definite subfunctions or parts of the work pertaining to the department. These sections may be further subdivided into smaller units each of which will be responsible for the performance of what may be termed specific operations pertaining to handling the class of work for which the department and section may be responsible.

The procedure for working out a plan of organization and classification for an entirely new business and for one that has, like Topsy, "just growed," should be much the same. In the latter type the duties, functions and lines of authority are badly confused; correlation between productive subdivisions is lacking with the result that each is operating as an independent unit doing its own purchasing, storing, selling, maintenance, billing, etc. In this and the new business it is necessary to start by listing the various things that are to be done or that are being done. The similar things can then be picked out and grouped under appropriate headings. These similar things should then be examined to see if they may not again be combined into a smaller number of larger groups. This process of analysis and synthesis is made much easier if we start with a definite scheme of classification and symbolization, which enables us to tag the things as we sort them and hang them on the proper peg with others of their class. What I have said with respect to the classification of activities and functions applies equally to products, raw materials and equipment. So illuminating is the process of working out a classification for a