

chasing, which reports to the production manager, and made it, if not a major department, one which is nearly so in that it reports to the chief executive. In many manufacturing businesses the purchasing is more important than other phases of the business. In cotton manufacturing the value of the cotton is on the average two times the value of the wages and salaries and at the same time it is closely related to the merchandising of the product.

Then there is engineering. In many plants engineering means simply maintenance of plant, power transmission and mechanical equipment. In others, as in General Electric, Westinghouse or public utilities, engineering is almost the most important function of the management, and is coordinate with other major departments.

Advertising is properly regarded as a tool of selling. I imagine that to advertising can be applied the definition of a mine, a hole in the ground into which money is poured, but in some businesses, such as are represented by one of the great clothing manufacturers of Chicago, advertising may dominate what is ordinarily called merchandising, and become a major department and the advertising manager essentially the merchandising manager; quite properly, in the particular instance, a reversal of the usual procedure.

With respect to finance and accounts; if there is a comptroller, the treasurer may in many instances be but a glorified cashier or trustee of funds; but if there is intricate financing to do, there is logically coordinate responsibility of both treasurer and comptroller.

In many enterprises the function of industrial relations may be of such importance as to be classified as a major department, the head of which reports directly to the chief executive; in others it may properly be subsidiary to some other major department.

Research may be a major or a secondary function in an enterprise. There may be sales research headed up under the sales department; or research in industrial processes headed up under the production department; but in some enterprises—as in the electrical industries—research may be relatively so important as to be properly a major department.

Likewise with respect to legal and other staff functions; usually minor in importance, in some industries one of these may loom up as of major importance.

I have named some eight divisions of a moderate-sized enterprise which may be major departments, too many to be reporting to one chief executive. At a dinner the other evening I heard the president of the

Western Electric Company asked how many people should report directly to the president of a large industrial company. He said eight or nine were reporting to him at the present time, but that it was too many and he was reorganizing his executive function so that only four or five would report directly to himself; and I imagine that four or five is enough. Not that a chief executive should not have contact with others; but that is about as many general functions as should directly and regularly head up to him.

Organizing the Enterprise

The first big responsibility of the chief executive is the organization of the enterprise. I used to think that organizing ability and executive ability were practically synonymous terms. I have changed my opinion on that; and one of the most convincing experiences which would have caused me to change my opinion, had I not done so earlier, was in Washington during the war. Many a big man, with the reputation of being in his business a super-man, came to Washington and failed signally as an organizer! In his own business he had been all his reputation claimed as an executive working out policies and making routine decisions day after day; and it was concluded, therefore, that he would be a great organizer; but when it came to creating new organizations in Washington—that was quite another matter! Why? Because the difference between organizing or creative capacity and executive ability was usually not recognized when men were called to service in Washington.

I was much interested in hearing Walter Dill Scott give some testimony to the point. You will recall that he created an organization in the War Department to classify and rate the draft army. A part of his organization was in Washington and the larger part at the cantonments supervising work. He said that, curiously, no constructive ideas came from the men at the cantonments; creative ideas came from the men in Washington. He concluded that the men at the cantonments were so busy at the executive function—keeping the work in hand going smoothly—that their minds did not have time to function on the creative side. So he tried the plan of alternating men between the cantonments and Washington, and he found surely enough that men who had not given birth to a constructive idea while at the cantonments, became creative at Washington where their jobs were to think and they could see things in perspective.

This function of organization, of selecting and de-

veloping a staff, is one of the most important for which the chief executive is responsible, and presents many interesting aspects. I can take the time to consider only two or three of these.

It takes time to develop an organization. Nothing illustrates better the idea that the boy is father to the man. The good organization of today was not built today or yesterday or last year; it is the outcome of policies and plans established a good many years ago. You cannot develop an organization inside of five years—probably not inside of ten. The only exceptions I have seen were two or three instances in Washington during the war, when under the particular conditions the few organizers who knew what they wanted could reach out over the country and pluck any man of tested and known capacity. But in the course of developing organizations in industry it cannot be done in that way.

Another phase of the organization problem is this: as a business grows the kinds of responsibilities required by the different departments change, but not all men have the capacity to develop to meet the demands of these changes. When an organization is small an executive may be found who is splendid as a department head, but as the responsibilities of the department increase in range and intensity he does not develop a corresponding capacity. It has been said that all men are born free and equal, but that seems not to be so. You can find differences as great as 400 per cent in the capacities of workmen at machines or benches, but can find greater differences than that in the capacities up the line of executives. If the business is growing and the responsibilities of the various members of the organization are increasing, the chief executive will soon find himself confronted by personal problems; he is faced by the problem of relieving men of responsibilities which have increased more rapidly than have their capacities or of permitting the supervision of a function to become unbalanced in its relation to the supervision of other functions—a deterioration of coordination. It is a delicate and difficult task, this shifting men around or possibly pensioning them off and at the same time retaining cooperation and good will. It is a problem the chief executive must face alone.

Now just because this problem of organization illustrates the idea that the boy is father to the man, it is essential for the chief executive to keep his eye on the junior executives. I have made it a principle—not without exceptions—not to permit an executive to select his assistants. That is against the theory and practice of a great many chief executives. I hold to

my particular point of view, not because executives are not reasonably successful in selecting assistants, but because an executive is not likely to select an assistant who is complementary to and rounds out his own personality and capacity. Few men have all-round capacity; there is some part of every executive not so well developed as some other part. If he alone selects his own assistants, he is likely to select a man who is cast in the same mold as himself, who is not likely to round out the capacity of his chief, who is not likely to stimulate him. On the other hand there must not be too great a difference in characteristics. There was an article in the *Atlantic Monthly* recently which suggested that one reason for friction in a family is a difference in tempo between husband and wife—one perhaps has quick and the other slow mental reactions, so that there is always an absence of adjustment each to the other. A similar situation may occur in a department of an organization. If there is too wide a gap in intellectual capacity, capacity for initiative, there is likely to be friction which inhibits the best capacity of each. Like two horses they may be differently gaited and unable to pull together smoothly and effectively. I sometimes use Roosevelt and Taft as an illustration. Each was splendid in the field calling for his particular individuality and capacity, but one could not with confidence see them hitched together and sharing the same executive responsibility. If the chief executive and his assistants are wise in the selection of junior executives they will supplement a major executive with an assistant of a complementary type—enough different to stimulate him, but not so different as to impair *esprit de corps*. William James in an address on the value of a college education made the statement that its value sums up in the ability to know a good man when one sees one. The selection of major and junior executives is one of the great responsibilities of the chief executive.

Handling the Organization

A good many years ago I read in some magazine an article entitled "Hands." Among other things it described the hands of the skillful driver of horses; calling attention to the fact that some men have a delicacy of touch which is marvelous, enabling them to anticipate what a horse is going to do and to convey information to the horse; an uncanny skill controlling and guiding the nervous, restless and excitable horse. It is not muscular strength, but a delicacy of touch, an intangible something. Now I believe there is a similar