

go so far as to say, saving only in a very few extreme cases, when the president or the general manager comes to taking orders in any real sense of the word, even from his board of directors, it is time for him to resign.

By "the centralization or the decentralization of authority," I have in mind the question which received so much attention in connection with our Government organizations during the war. Assuming that it is necessary to have a number of plants or branches, the question arises as to the extent to which each should be independent of the other and the extent to which all should be dependent upon the central office.

Thanks to the emphasis put upon this subject during the war, I think one answer to this question is now pretty generally accepted; namely, that so far as possible, methods should be alike in all branches and departments of the same organization. That is, they should use the same terminology, make their budgets, keep their books, and express their results in common terms, very much as the steam railroads make their reports to the Interstate Commerce Commission; on the other hand, in matters of current executive judgment each unit, so far as possible, should be independent of the other and made subject to the central office only in the sense of review after the fact, as distinguished from the necessity for consultation before action. With freedom to act, yet with the restraint which certainty of intelligent review and comparison of results with other departments assures, one can be reasonably sure that the man who does not succeed under these conditions is lacking in the essential qualities necessary to commercial success. In direct proportion to the extent that one man is made subject to the will of another in matters other than those requiring to be coordinated do we destroy the interest and initiative of those we subordinate.

By "the use of accumulated experience or the use of research as a measure of accomplishment," I have in mind the distinction between a time study made on the basis of a study of unit operations under the conditions under which the work is to be performed, as compared with the average of actual results over a period of time under varying conditions. Applying this distinction to what is generally known as the business end of an enterprise, it is the difference between a budget made on the basis of what the expense should be and one made on the basis of what the expense has been in the past.

This distinction is so easily made in words that it is always a surprise to find how few people get its full significance. I was recently going over a proposed budget for a concern that had a very large correspond-

ence department. There was one item of several thousand dollars a month for postage without any explanation. I asked where they got the figure and was told that it was the average of several years' experience. This answer was given me by an unusually intelligent person to whom I had only the day before emphasized the distinction I have just made. In answering every question I asked the tendency was to refer to past records.

What I mean by a budget based upon research in a matter of this kind is a budget based upon the number of letters found by actual count to have been mailed over a period of time under varying conditions of business. On the basis of a budget made in this way, the previous expense of the concern in question was found to be unreasonably large, whereas the decreased expense since the new budget was made shows that the latter is correct. The mere knowledge of the fact that standards and budgets are based on research of the elements of cost as distinguished from past experience is usually sufficient to hold costs in check. I do not mean to be disparaging of human nature in saying this, but rather to emphasize that such is human nature and moralizing upon the fact will not change it.

By "the meeting of conditions as they arise or the seeking to forecast and prepare for them," I mean expediency versus preparedness, and I know of no particular which so definitely characterizes an organization. One company carries a full line of its finished wares on hand, reasoning that the advantage of manufacturing in quantity and in being able to fill orders promptly more than offsets the cost of the additional capital tied up in this way. Another reasons that the advantage of the atmosphere of being behind on orders and the necessity of hurrying to get them out, or some other such reason, justified a hand to mouth procedure. The thing, however, that really settles this and many other equally important matters of policy is the personality and temperament of the chief executive.

I am not at the moment arguing for one plan or the other, but rather that executives should realize how largely their policies are the result of their personality. Also I want to emphasize the variety of alternative types and policies and the necessity for conscious discrimination between them. To the casual observer who happens to be frequently in the office of the same organization, it is sometimes striking to notice how often the same fundamental question is settled differently under different guises.

I have only scratched the surface of a complex sub-

ject but I believe I have said enough to support my thesis that consciousness and consistency in these matters is one of the first and most important ways by which an executive may insure his effectiveness.

But coordinate with this and in everything thereafter the biggest and most difficult task is to put aside his prejudices with reference to his own opinions and those of others. He must realize that the wish is often father to the thought, and that man's thinking is largely a reflex action evolved from the primitive instinct of our biological ancestors.

I was very much interested in a recent article on "The Psychological Basis for the Economic Interpretation of History" by W. F. Ogburn of Columbia University. I have already written him to see if I cannot fire his imagination to the writing of a similar article on "A Psychological Basis for Management."

Looking at management as it exists today, we are a highly developed machine with which it is hard to find much fault from a mechanistic standpoint. With time studies and standards, stores, routing, cost and general accounting systems, and statistical and budget controls, it seems almost infallible. Yet how often do we see a concern with all of this fail, where our fathers succeeded without much, if any, of it. Is the fault with the methods, systems and controls? I do not think so. The fault is with the use of them.

Can you imagine a mechanical engineer working without a knowledge of physics? With all of his mechanisms he would be in a pretty plight without a knowledge of the laws of the physical world with which he deals.

Why then should we expect more of the manager, with all of his methods, systems and controls, when he lacks a knowledge of the laws governing the behavior of man with whom he deals.

The point I want to make is that we managers are dependent upon the personal reaction of those we manage regardless of the justification for the reaction. Yet we spend more time in considering the reasonableness of our proposals than the probable reaction to them. We try to apply *reason* as though it were a *law* with reference to humans, much as we would the laws of physics with reference to materials.

To me it is encouraging that there are those in a position to know who believe and are working to such an end; that by the time our boys' boys are ready to prepare for their careers as managers, it will be as natural and as necessary for them to study psychology

as it is for the mechanical engineer of today to study physics.

I do not want to be misunderstood in my use of the word psychology. I do not mean the study of the five senses and the instincts which was the basis of most that we learned when we went to school, but something more causal, more dynamic and more practical. Professor McDougal of Harvard describes the new psychology as dealing "with the springs of human action, the impulses and motives that sustain mental and bodily action and regulate conduct." Some of the younger men believe that with time and research they will be able to prove, with reference to cause and effect in human behavior, sufficient to constitute a practical science that can be used as a basis for dealing with man.

Some experiments at John Hopkins University are typical of what is being done in this connection. On the basis of observations and tests of over 200 infants from the moment of birth for varying periods of weeks and months, it has been demonstrated that the newborn infant brings into this world with him two—and only two—primitive, instinctive fears. Suddenly removing a pillow or support from behind the baby will make it wrinkle up its face and cry. It is also afraid of a sudden loud noise, as of two steel bars struck together. All other fears, as of dark, of animals, of lightning, are the result of association and the traditional teachings of nurses—elders. They took infants only a few weeks old, who had never shown fear when white rats, rabbits and guinea pigs were put beside them. But when at the moment of showing the baby a rabbit they made a sharp noise, association of ideas works so powerfully and so rapidly that after only six repetitions of this experience when the rabbit was again presented to the infant without the noise, he cried and was frightened. They then attempted to find means of removing this fear, but the effort was not so successful. They did, however, find that if the infant were first given the support and comfort of some definite pleasure, such as sucking his thumb, he was much less susceptible to any fear stimulus.

You may wonder why I bring all of this in when I am supposed to be talking about types of management. It is to emphasize the necessity for adapting the type of management to the personality and character of the executive, or in other words, his natural tendencies and disposition, and for him in turn to adapt himself as far as possible to the tendencies and disposition of his subordinates. Little can be gained by reasoning about