

A PRACTICAL PLAN FOR RATING THE EFFICIENCY OF AN OFFICE ORGANIZATION¹

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I. THE DEVELOPMENT OF THE IDEA

THAT the most thoughtful members of our profession should have been seeking for years some generally applicable plan for rating the efficiency of a business in all its departments is a natural and logical result of the practice of scientific management. In industry as in every other field of scientific research, the constant effort is to discover the laws governing facts and to devise an expression of these laws in workable formulae. As a student of office management for many years, my attention has been concentrated upon this feature of industrial engineering.

It is certain that despite all that has been written on the subject, and the many remarkable, profitable examples now existing of scientific management, most owners and managers of business are entirely unacquainted with the possibilities of Taylor principles applied to business. It cannot be maintained that this ignorance is due to a lack of intelligence. In my opinion the fault lies mostly with the proponents of scientific management. We have not succeeded in focussing the attention of executives on these possibilities. We have shown them scientific scraps and fragmentary pictures, remarkable enough in themselves, but carrying little conviction of what science in industry means as a whole. There has been no way, so far, to determine just how far the poorly managed, or even the well managed company, falls behind the high standards attained by a scientifically managed company. Those whom we strove to interest merely judged what was shown them by mental and abstract comparisons, and if the business illustrated were of a different character they failed to make any comparison whatever. They could not and did not measure the differences; we provided them with

no general principle of measurement. Our science had not yet developed so far.

Office work, in particular, presented difficulties of measurement for the reason that so many different kinds of work have to be performed and, except in very large companies, the clerks work upon many different tasks daily. The office manager would admit the possibility of scientifically setting tasks in large companies, but he not unnaturally held the opinion that the task of measuring time in small offices was too difficult, and, it may as well be confessed, to this objection there was then no convincing answer.

My first attempt to solve this problem—for many years I had been obsessed with the idea that it was solvable—was by the "Unit of work" method, which was published in August, 1918, in "The Efficiency Quarterly," New York, in the form of an article entitled "The Office Through a Microscope". The method was later outlined in *The Taylor Bulletin*, Vol. VII, No. 1, February, 1922.

A "unit of work" was there defined as the number of pieces or amount of work on a *standardized* operation which could be performed at the standard rate of output in one hour. The ratio between the standard and the actual amount performed was the ratio of efficiency. With this method it was only necessary to keep time on *unstandardized* operations and deduct this time from the working day—the balance was the time spent on standardized operations; then the number of pieces of various kinds of work was counted and converted into "work units" and the efficiency of the clerk on standardized operations could be obtained with very little effort, even if he worked on a dozen different operations in a day.

This method has been used with considerable success since its inception and it really does provide a very good timekeeping method in an office using scientifically set standards, but it is not applicable to others and

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therefore failed to meet the problem fully. Besides, it dealt with the factor of clerical output only, which I am convinced is but one of the important factors in office management.

Later on, in a paper entitled "The Use of a Measuring Stick in the Office," read before the Cost Division of the Rochester Chamber of Commerce in 1921, I outlined a method for a quick, rough and ready estimate of the relative efficiency of an office where most of the work revolved around the handling of an order. The number of clerks whose work was influenced by the volume of orders was first obtained, work not so influenced being omitted from the calculation. This number was multiplied by the number of minutes worked in a day, giving the total number of clerical minutes devoted, directly and indirectly, to orders. Then the average number of orders handled daily was obtained, and this figure divided into the total clerical minutes gave the number of clerical minutes expended in handling one order. The result was startling to almost everyone who tried out this calculation by experiment. The method, of course, was capable of still further division and the "minutes per order" required to write letters, or invoices, or any other operation could be kept in the form of weekly or monthly reports. It may be interesting to know that of the hundreds of figures gathered, the lowest number of clerical minutes per order was thirty and the highest 1,280. It seems almost unbelievable that one office would require more than forty times as much time to handle its orders as another. Of course, any other unit besides an order could be used but the order seemed the most generally applicable. Where this plan fell short was that, like a cost accounting system, it showed how much time was being spent, but gave no certain indication as to whether the record was good or bad. Though a rough and ready method of figuring, it was still some advance upon my first attempt in this direction.

In October, 1922, as a part of the Management Week program of the Taylor Society, The Society of Industrial Engineers and the American Society of Mechanical Engineers, I read a paper before the Chicago group and circulated a leaflet in questionnaire form, entitled "An Analysis of Your Business—By You". This leaflet was published in the *Taylor Bulletin*, Vol. VII, No. 6, December, 1922.

The central idea of this questionnaire was inspired by the report of the Hoover Committee on Waste in Industry, from which thirty-five of the eighty-three questions were taken. The number of inquiries it

called forth showed definitely that there was considerable interest in the subject, and this fact determined me to set about the collection and consideration of all the factors necessary for a real solution of this fascinating problem. It proved to be a long and laborious but none the less interesting task.

The result is embodied in our present Examination and Rating Plan which was put into actual operation in April, 1923. We have already had sufficient experience to prove its general applicability and unquestionable value. My experience with the questionnaire previously mentioned showed definitely, at least, that the proper procedure was to begin with one subject—in this case it was naturally Office Management—and to work that out fully, though the general plan was and still is, to measure eventually all phases of management by the same method. Our company now has under preparation a rating plan for the Sales Organization and the Production Organization. This paper, however, deals only with the plan of rating the efficiency of the Office Organization.

II. THE REQUIREMENTS OF A PLAN OF RATING

There are five definite requirements for the construction of any rating plan,—as follows:

1. The factors of the problem must be defined and it must be determined which of these factors are measurable and which are not. Determining the factors of any complex problem is not a simple matter but when this is done, it is even more difficult to determine which of the factors are not measurable. At first thought, most of them seem to be not measurable.

2. The immeasurable factors must be eliminated. No matter how important these immeasurable factors may be, or seem to be, they must be ruthlessly cast out of any rating plan, for it is an obvious waste of time to attempt the measurement of the immeasurable.

3. After the immeasurable factors have been eliminated, a division of the measurable ones must be made. Each subject is divided into its component parts—its elements. This is precisely the method that Taylor used in setting a standard—he found the elemental times and then synthetically built up his standard. Each factor represents a number of variables and each must be considered by itself.

4. Standards for each element must be determined—standards which will progress with the progress of in-