

The considerations involved for this decision are practically the same as those determining the district, and need not be repeated. The shape of available sites is important if a building is to be erected, from the point of view not only of effective operation but also of cost. An area of 10,000 square feet in a lot 200 feet by 50 feet requires 100 feet more wall than a similar area in a lot 100 feet by 100 feet.

If the decision is to rent space in a building already erected, there are additional criteria to be applied, including the following:

1. *Regular facilities and service of the building.* Under this heading must be considered the elevator service, janitor and cleaning service, power and light loads and outlets, plumbing, toilets, frequency of decorating, freight handling facilities, watchmen, heat, ventilation, water, etc. How much does the building furnish and how much does the tenant furnish? What is the quality of that furnished by the building? The new S. W. Straus Building in Chicago features the convenience and quality of the service offered its tenants. The Metropolitan group of buildings in Seattle goes still further and offers such facilities as club rooms and an indoor golf course.

2. *Structure of the building.* Foremost under this head is the matter of fire protection. What is the construction? Is there a sprinkler system? What are the means of rapid egress? What are the insurance rates? Next come the questions affecting the layout and operations. What are the areas of the floors? What are the distances between windows and pillars? Where are the elevator shafts, stairways, ventilating shafts, chimneys and so forth located? What are the ceiling heights? What are the sizes of the windows? What is the greatest distance from a window? What is the shape of the building? These and similar questions are intended to see how well the requirements of the business can be met in a particular building and presuppose a study having been made to determine exactly what those requirements are.

3. *Initial service furnished by the building.* Together with the above come the questions as to what the building owner will do to meet the needs of the tenant before he moves in. Will he erect partitions where wanted, and of what kind? Will he erect any special cage, grill, counter, or other equipment needed? Will he put in special floor or floor-covering? Will he put in interior stairs? Will he furnish the kind of lighting fixtures desired? What assistance will be given in making a layout? These and a number of

similar questions arise and are usually settled by bargaining. In some buildings the policies are rigid, in others liberal. In some buildings one tenant will get concessions and another will not. Much depends upon the amount of space taken, the demand for space at the time, the life of the lease, and the "horse-trading" skill of the respective parties. Whether a building is just being built or is an old one is another factor.

4. *Possibilities for expansion.* One reason for the ineffective layouts so frequently encountered is the fact that few companies look far enough ahead to provide adequately for expansion. When expansion becomes necessary, additional space is secured wherever possible to obtain it, adjoining, on another floor, or even in another building, and a crazy-quilt arrangement results. When moving to a new location, the wise company will avoid the repetition of this condition by first studying what the future needs of the business will be and then seeing that adequate expansion is provided for. The length of the lease must be considered, and also the question of renewal. Some companies lease more space than they need and then sublet part. Others arrange for the adjoining space to be let on short time leases. What can be done along these lines will be one of the influences in selecting a location.

5. *Neighboring buildings.* Aside from the tone imparted by the surrounding buildings, there are the practical questions of type of construction, nearness, height, color and surface of walls, location of chimneys and kind of fuel burned. These are important as regards fire risk, light, ventilation and cleanliness.

6. *Other tenants in the building.* The influence of the character of one's neighbors has already been mentioned as well as the grouping of competing or allied lines, as in the Insurance Exchange Building in Chicago. In addition, within a building there must be considered the occupation of other tenants. Are they such as to give rise to odors, excessive noise, vibrations, etc., that will affect employees or customers unfavorably? On the other hand, are they of a kind that add to the desirability of the building by providing conveniences likely to be made use of, as bank, notary, barber shop, restaurant, etc., or of a kind to attract a class of people likely to prove good prospects?

In What Part of the Building?

In selecting the floor within a building, many of the same criteria can be applied and one or two others.

1. *Requirements of the work to be performed.* If the work requires heavy machinery or a number of safes, ground floor space is probably necessary, or at any rate, the question of floor loads must be considered. If there is much drafting or other work requiring intensive use of the eyes, a location near the top of the building, and preferably on the north side, is desirable. So also if freedom from street noises and dust is needed.

2. *Convenience.* Within a building, convenience to customers is a factor for businesses that cater to the passer-by or casual trade. First or second floor location or nearness to the elevator is desirable in such cases. For a lawyer, however, this is not a factor. A recent study of the location of 55 bond houses showed 5 on the ground floor, 11 on the second and 39 above the second. Opinions are not unanimous, due partly to the difference in the classes of prospects appealed to, but the greatest percentage is above the second floor. Were a similar analysis made of banks, probably all would be found on the lower floors. Convenience to toilet and rest room facilities for employees is desirable but not so important.

3. *Cost.* There is even more variation in cost as

between floors of a building than between buildings. Ground floor space in some buildings runs around \$20 a square foot while upstairs space rents for \$2.50 to \$4.00 a square foot. The Chicago Trust Company has located its main banking floor on the second story and rented out the ground floor in order to secure the additional income and keep down its own expense.

Conclusion

The conclusion to be drawn from the listing above of considerations affecting the location of an industry or office is simply that it is possible for a company to save itself considerable expense and inconvenience if it will "look before it leaps" in this important problem which confronts it only occasionally in its history, as well as in those it meets in its everyday routine.

As by-products of the investigation, the company will undoubtedly discover many ways in which its methods can be improved and the amount of space reduced because of a reduction in the clerical force needed to handle the work, or it may decide to change some of its fundamental sales or production policies, but these are too big subjects to be included in the present discussion.

IN GENERAL, it is in the work of direction, rather than in the physical work of production, that the largest gains from subdivision of labor come after fairly large size has already been reached. There are two main kinds of division of labor in management, cutting across each other. One separates the forming of policies, rules, and precedents from the gathering of data on which the decision is based, and from the following out of these policies and precedents in particular cases; and the other separates different departments of work such as purchasing, selling, engineering, financing, etc. One brings the economies of delegated detail and routine, the other the economies of functional specialization. Each has its advantages; each can render notable services, and each has the defects of its qualities.

The economies of delegated detail increase the capacity of the manager, and of the overhead expense he represents. They enable more output to benefit by a given decision, and the study or experience that went into the making of the decision, and by this

means they also make it possible, and profitable to put longer and more intensive study into the making of each decision. In fact, what has been said already about knowledge as an overhead cost applies to the making of decisions and precedents, those intangible productive instruments which it is the supreme task of management to furnish. If the managing staff of a large-scale plant were made up of the same men who would be managers under small-scale production, with the difference that the best mind made the most basic decisions and the others executed or applied them, there would be a considerable increase in the efficiency in management, but no reduction in the cost, in terms of the percentage of effort spent on management. The tendency is, however, to go farther and delegate the more routine tasks to people who would not be managers at all under small-scale production . . . but are even better at gathering data or at carrying out policies they were not responsible for forming. (J. Maurice Clark, *The Economics of Overhead Costs*, pp. 123-124.)