

assume, most of this third of the product is in slow moving items.

You will be interested also in the plan of manufacturing and distribution. First—there are two manufacturing works of 50,000 tons per year combined capacity. One plant is located at South Boston, Mass., and the other, about double the area size of the South Boston plant, is located at Kewanee, Ill. Somewhat attached to each of these two works are two divisions. The divisions carry no stock. The Eastern Division, for instance, is somewhat in the position of a commission house, selling the goods of the Boston Works. Similarly the Western Division sells the goods of the Kewanee Works. The divisions, in large part, sell to jobbing concerns, which in turn sell to the retailer and consumer. The division does not sell only the product of the adjacent works, however. It sells to its jobber customers also some products direct from the other works, and some product of other than Walworth manufacture direct from allied outside vendors.

On the other hand, the divisions are not the only customers of the works. We have other selling units designated as branches. These are located in Boston, New York, Philadelphia, Cleveland, Youngstown, Chicago, Seattle, Portland, London and Glasgow. All of these branches carry a stock of Walworth goods, which they purchase direct from either works and also from outside vendors. They may sell to their customers (the retailer or the ultimate consumer) from their stock or they may have shipments made to their customers direct from either of our works or from an allied outside vendor. There is still one other form of selling unit, designated as the Walworth International Company, whose central location is at Bush Terminal, New York. This company is a commission house taking orders for Walworth product and for the product of certain allied manufacturers located within the United States. The International Company carries a stock of goods at Bush Terminal for immediate shipment on out-going vessels. However, a large bulk of its orders are accepted for large direct shipments from our works or from the works of the allied manufacturers. The International Company has a selling organization of its own, having branches in many cities throughout the world and sales agencies in many more. Thus the organization for manufacturing, purchasing and distributing the full catalogued line of 23,000 items of Walworth products is geographically world wide.

The accompanying diagram, Figure 1, shows the fundamentals governing the organization of the company in accordance with the accepted principles of functional control.

In addition to the designation of the usual officers of any corporation, there is always possible an initial functional classification of the two prime activities as "producing (or getting) the goods" and "selling the goods." Our organization chart lines up under a vice-president in charge of production the immediate control of buying of all raw materials and of producing the stock, and under a vice-president in charge of sales all "selling the goods" activities. Yet the complications of our large company make it advisable to relieve these two vice-presidents of certain phases of the work which can be adequately handled in a functional way by other executives. There are sufficient of these miscellaneous activities so that the responsibility for many of them is headed up under a vice-president in charge of administration. Moreover, because our business is somewhat technical, it is wise also to designate a vice-president in charge of engineering.

Finally, to aid in the coordination of all these activities, there is an advisory committee indicated as a staff to the president. The committee is comprised, however, of all the active officers, namely, the three vice-presidents and the treasurer, with the clerk of the corporation as its secretary, in addition to the president as its chairman. Such a body aims to bring together many-sided interests, experiences, and judgments for guiding the president's decisions in solution of the major problems of the business. It will be the ultimate purpose of this paper to show just how this "meeting of many minds" is directly utilized in our master planning control of sales and production.

The initial step leading up to the organization of the company in this manner had a very definite aim in view. It was to enable the company to take the next step, namely, to devise an accounting system which should hold each executive financially responsible for all the activities within his jurisdiction. The accounting arrangements, as they are now set up, make it possible for each production and sales unit executive to receive, promptly after the close of each month and covering his unit only, a profit and loss statement, a balance sheet, and a detailed expense analysis. Each subordinate executive receives a detailed expense analysis embodying the month's charges

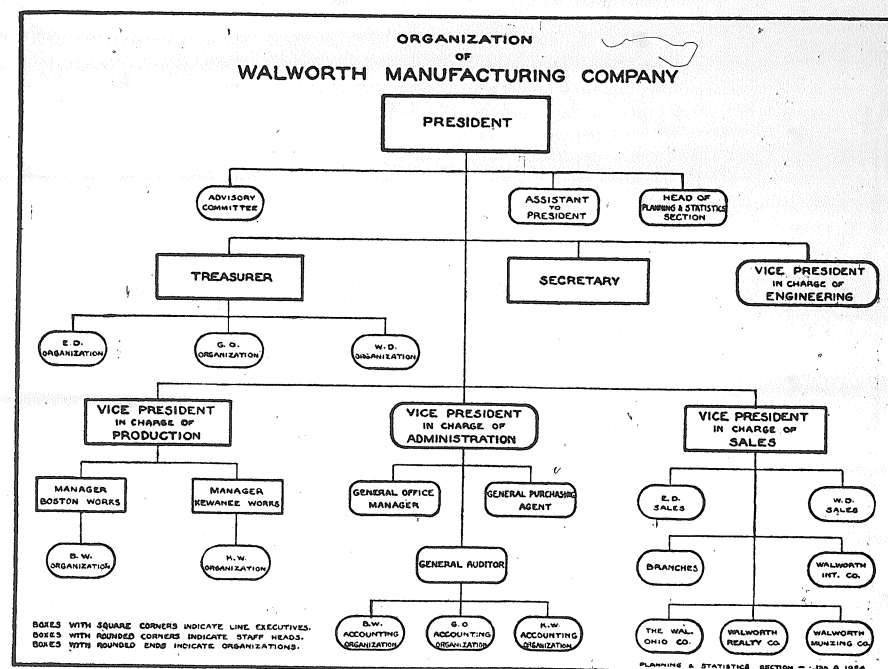


Figure 1.

against him for all items of expense which the existence of his section incurs. This close coordination of accounting with the simple lines of organization we consider essential for the desired ultimate statistical control.

The next step in organization, then, was in a sense thought to be the culmination of all the earlier steps toward administrative control. This was the introduction, in 1920, of a planning and statistics section, in staff capacity attached to the president's office. At its inception, the planning and statistics section was intended to gather currently and continuously for the president and for the other major executives the pertinent facts of the business, much as the statistical section of any company serves its major officers. After much consultation a group of acceptable current statistical reports were designed with a view to their being concise yet adequate portrayals of the many

phases of the current activities of the business. The several reports were statistical in nature, not precise accounting reports. All of them were intended to be issued in this statistical form within ten days after the close of the month, which would precede the audited reports by some fifteen or twenty days. Thus, in the earliest days of its existence, this staff statistical section confined itself to interpretive reports which should advise the executives in advance as to the major important information, later to be confirmed by auditors' reports.

The initiation of these current reports, however, was just a beginning, and as the need was felt for further advance information, a monthly financial budget was instituted and placed under the control of this established staff section. It is felt indeed fortunate that the responsibility for the outlook concerning the future and for budgetary control should have been