



Note: Titles of officials given indicate those most likely to be found in a large bank. In trust companies, secretaries and treasurers would be assigned to some of the functions. Reporting to the senior officer will be found trust officers and assistants, assistant vice-presidents, assistant cashiers, etc. In smaller banks several of the above functions would be combined, each division being under the supervision of a junior officer.

its sphere of influence and operations through a number of branch banks, either local or foreign. In such instances an organization unit known as the co-ordinating office has been brought into being and its chief functions are to create and inspect standards, to co-ordinate and review, so that like activities in decentralized units may be brought up to the highest possible level of performance.

Another method of co-ordinating operations is illustrated by the practice of one of the larger New York City banks which, conducting its business through the medium of a parent institution supplemented by a small number of local branches, has worked out a solution of its operating problems in the manner described below.

The work of the parent institution has been divided into a number of definite functions, and in most cases all of these are reproduced in decentralized fashion in the local branches. The President and the two Senior Vice-Presidents form what for practical purposes is a Managing Committee, and eight other

Vice-Presidents divide among themselves the responsibilities for administration of the various functions and branch organizations. In direct operating control of the latter are a number of Assistant Cashiers, each of whom reports to a specifically designated Vice-President.

Between these two sets of officers there are several Assistant Vice-Presidents, but in our discussion here we are concerned with only one of them, who functions as the chief co-ordinating authority. It is the responsibility of this Assistant Vice-President, with his staff, to inspect, analyze, co-ordinate, control and review operating results throughout the entire organization. Except in an advisory way, he does not influence determination of policies but, within the limits of the policies set up for the guidance of the entire institution, it is his responsibility not alone to see that the work is done accurately and with dispatch, but also to devise ways and means of improving the channels through which the routine passes and in general to work in the

direction of accomplishing more effective operating results.

The organization chart reproduced on the following page gives a graphic picture of the relation of the various authorities in this institution to each other and in particular of the relation of the co-ordinating officer to the entire organization.

Again, banks have endeavored to meet the problem of co-ordination of their activities through bringing into being what might be described as a counterpart of the modern factory or office planning department. This has usually been treated as a staff function and, consequently, has labored under the difficulty which faces all staff activities, namely, of being translated into practical effect through the line organization. In banking perhaps more than in any other field there has been resistance shown to such developments, because since time immemorial, the individual sub-divisions of the banking organization have been strongly departmentalized and this fact has naturally developed a point of view inimical to the successful application of the theory of staff functions.

### C. Decentralization of Accounting

The centralization of service activities under a co-ordinating officer would, ordinarily, imply centralization of accounting work. Such centralization is usually found in commercial and industrial organizations. In banks, however, the necessity for dispatch, as well as the highly specialized and differing character of the accounting work performed in connection with the various departments, has made it practically compulsory, without regard to general principles of organization, to segregate the accounting activities, relating each as closely as possible to the particular department concerned.

For example, the accounting activities associated with the Foreign Department differ materially from those relating to the Trust Department, which are governed to a large extent by law. Both of them involve procedures varying from deposit accounting which, in its simplest form, consists of debiting and crediting the individual depositor's account.

But it is perhaps more the need for dispatch than the inherent differences in method which compels banks to carry on their accounting work in decentralized fashion. This need for dispatch may, indeed, be said to be the controlling element in the building up of bank organizations. When we con-

sider the work of the cash and collection function of a bank, the importance of this element becomes apparent.

For example, it is necessary at all times to have available accurate knowledge concerning the credit balances in depositors' accounts. This means that monies deposited by customers with the Receiving Teller must immediately be credited to their accounts and that the accounts must be promptly debited for checks drawn against them. Otherwise, the bank would be in the position of refusing to pay checks when in effect the balance was on hand, or of paying out money when the account did not warrant it.

Moreover, since many of the checks deposited by customers are drawn on other banks, it is of prime importance to present these checks to such banks with the least possible delay. This must be done not alone because of the desire to render efficient service to customers, but for the even more important reason of securing the protection afforded the bank by converting such checks into cash before making payment to depositors.

Another example of the need for dispatch in handling items of this sort is the clearance of checks through the Clearing House. Under the rules of the New York Clearing House Association, all exchanges must be made by ten o'clock. Therefore, if checks are not cleared by banks at that hour, they must be held over for one day before the money can be collected. Because of the tremendous sums of money involved, this means, therefore, that banks in downtown New York particularly, receiving as they do the bulk of their deposits through the mail from out of town correspondents, face the necessity of preparing all such checks for clearance immediately upon receipt. To meet this problem the larger banks have organized night shifts and in a number of cases now operate twenty-four hours a day. This permits them to take advantage of the new plan of the New York Clearing House Association for exchanging checks at two-thirty, eight and nine o'clock in the morning in addition to the regular clearings at ten o'clock.

Because of these peculiar requirements the decentralization of accounting is an essential of bank organization. Naturally, the control figures relating to all of the departments must ultimately be brought together in the general ledger, and this