

tion of wage policy or the institution of a stock purchase plan, are responsibilities of general administration. With respect to the production processes there is least likelihood of confusing responsibilities. The departmental staff is concerned with the immediate processing, and with what, how much, when and how in detail; but general administration is concerned with such things as what, how much, when and how in the large, as concerned with general policies, and with investments in new facilities.

The key topics around which general administration revolves are earnings and dividends, wage policy, determination of general line of product or service to be supplied, approval of technical research programs, the budget, turnover of investment, comparison of operating results with those of preceding years, and with the budget, prices, depreciation, taxation, and plant location.

#### Division of Managerial Labor

It must be admitted that some, even among successful executives, do not distinguish general administration from other functions as we have done. Another point of view is that the duty of the president of a company is to devote himself to those duties which seem to him at the moment to demand special attention, either because of their importance or because of the unsatisfactory nature of the work being done by the officer immediately in charge. According to this point of view, the president ought to be more capable than the other principal officers in every one of their duties. Experience shows, however, that this demands an almost impossible collection of abilities in one man in the case of large concerns. It seems more in accordance with the general principle of division of labor on which modern industrial organization is based to regard general management as a separate craft, with sales management, management of design engineering, factory operation, and so on, as other crafts. All of these managerial crafts are to be distinguished in turn from the skilled trades and the business professions, such as engineering and accounting. It is, of course, true that a natural way to become a qualified practitioner of the crafts of general management is to begin in a skilled trade or work of a professional type, to progress to the type of management associated with that trade or

profession, and finally to enter upon general management. While such a method of approach to a general managerial position is natural, it is important to recognize that the steps are marked by definite changes in type of work.

If this point of view is accepted, the following corollaries appear to follow:

1. The fact that a man is highly skilled in a certain trade or business profession does not necessarily imply that he will be a good man to administer a department whose workers are mainly of that type. In any case, he should realize that it is a different job which requires a different attitude of mind and probably additional training.

2. The fact that a man is a good department manager does not necessarily imply that he will be a good general manager, unless he adopts a broader point of view.

3. A high-grade specialist, in the engineering laboratory for instance, may deserve a larger salary than the supervisor to whom he nominally reports, if the specialist is a more valuable expert in his craft than the supervisor is in the work of management.

4. A functional manager, such as a sales manager, who is unusually successful, may be entitled to greater compensation than the president of his company. Admittedly this is true only in unusual circumstances, as men who are really capable in the field of general management have a high scarcity value.

5. If a president believes that the work of a particular department is not being done satisfactorily, the best remedy is not to do the most important part of that work himself, but (1) to try to correct the department manager's faults, (2) to rearrange the assignment of duties among different departments so as to meet the difficulty, or (3) to replace the department head by somebody presumably more competent.

#### Research for General Administration

Even if we regard general administration as a separate craft, in which a man may become qualified without being omniscient, the task of the general administrator is nevertheless most exacting and calls for the use of the best aids that experience has developed. One of the most important aids is research, carried on by himself or others, devoted

specifically to these problems. By "research for general administration" we mean:

1. Any attempt to discover, by analysis of operating returns, comparison with related information, or by additional investigations, what are the results of any existing general policy or what the effects of any proposed change in policy or plan of operation would be.

2. Development of methods for appraisal of results secured by different departments or for general control.

The underlying motive back of such research is to secure a broader perspective than is present without it, by comparing the present with the past or the estimated future, by comparing the particular company with other concerns, or the particular industry with other industries.

The sphere of research does not include those modifications of plans which are often made by industrial concerns for personal reasons. It seems clear that in certain cases it is desirable to take account of the capacity of the individuals concerned or even of their likes and dislikes in deciding what is the best thing to do. From the point of view of the executive interested in general administration, however, any recognition of the personal factor is fraught with the danger that it may be somewhat of a departure from strictly scientific management. Certainly no president of a company can justify a plan which is based on his own dislike of some other man. On the other hand, a plan must have the support of individuals if it is to succeed, no matter how scientifically it may have been made. It is the province of the practical administrator, as distinct from the research worker in general administration, to temper the details of a scientifically drawn plan so that it will be understood and used whole-heartedly by the entire company.

#### Kinds of Research and Typical Problems of Each Kind

1. *Business Conditions and Tendencies.* The meaning of research for general administration will be brought out by discussion of some of the lines of research which have been undertaken by progressive concerns and of various typical problems of each kind. One of the first and still one of the most prominent kinds of research is analysis of the

current rate of business and industrial activity. The purpose of such research is to guide executives as to the correct timing, with respect to industrial conditions, of projects such as purchases, plant expansions, advertising campaigns, and variation in the size of the working force. The general method is to survey at regular intervals the various barometers of such items as production, prices, employment, earnings of industrial concerns, and outstanding business or political events. The aim is, in brief, to determine what is the present position in the business cycle and to estimate, if possible, the course of events in the near future. The development of this idea requires the use of certain statistical techniques, especially determining index numbers, trends, and seasonal factors, as any forecasting is significant only if based on a careful analysis of past relationships. As it is impossible to go into details as to this type of analysis in the space available, the reader is referred to references two and five at the end of this chapter, illustrating these methods.<sup>3</sup>

It may be noted that the United States is especially fortunate in possessing a large volume of current business statistics, prepared by governmental and other sources, and made available promptly month by month.

2. *Analysis of Industrial Developments.* Another kind of research which is related to the preceding, but may well be distinguished therefrom, is an analysis of industrial developments with a view to determining the significance for the researcher's own company of changes in the economic environment. This type of research is carried on by (1) extensive study of current business and economic literature; (2) personal contacts with government officials, business executives, analysts, etc.; (3) continuing study of trends of important series; (4) intensive study of problems that seem to have significance for the particular concern.

As problems typical of this kind of research, the following are offered:

- a. Under what conditions has vertical combination of industry been successful? Has it been more likely to succeed when two different companies

<sup>3</sup>The references mentioned are: Burgess, R. W., "Introduction to the Mathematics of Statistics," New York, Houghton Mifflin Company, 1927; Harvard Committee on Economic Research, "Review of Economic Statistics," Preliminary Volume I, Cambridge, 1919.