

est measure of interest and intelligence by the workers, or in other words is responsibility sufficiently decentralized?

Here, for example, is a function which is national in scope, such as the equipping of the army. It goes without saying that the range of organization to carry on this work must be national. Yet it also is clear that the effective performance of this work demands that adequate responsibility for manufacture, transportation and distribution be delegated to local agencies and bureaus, or be as Mr. Cooke says, decentralized.

Nevertheless with the work for an organization definitely established in terms of a function, it still remains a fact that there are different interests to be represented, to be brought together, protected and to a certain extent reconciled in the carrying out of that function. In all the work that is going on here, in Washington that is preëminently the case. All the different departments have their own special interests and functions; and yet they have beyond those certain problems in common with some other departments. And when it comes to the solving of these common problems it is essential that all the affected interests be represented in the performance of this newly recognized function.

So that the second principle of sound organization would simply come down to this: that in the carrying out of a function all the different elements and interests which are needed to carry it on must be represented and brought together in all deliberations.

Where—as would really be the case—there are too many interests to be conveniently assembled and reconciled and heard around the table of one room, it would be necessary to modify the function and change the organization correspondingly. But normally the affected interests will not be more than ten or a dozen; and that is the number which can most effectively be considered and brought to a common agreement as to the way in which a job is to be done.

The third principle is so obvious as simply to need restatement: that, as Mr. Kendall so well said, to the extent that responsibility is distributed to that same extent must authority be delegated. And as a modification of that, it should also be said that responsibility, when delegated, should always be carefully defined and limited.

It seems to me, therefore, that what it comes down to is that functional organization is inherently organization with that degree of decentralization which makes for efficient operation; and that staff organization along the lines that Mr. Kendall outlined which gives you the coordination which Mr. Cooke is striving for. I labor under the feeling—I may be wholly wrong

—that if we define the terms that both gentlemen used, a common meeting ground is established. For the decentralization and the coordination—the words of Mr. Cooke—are only another aspect of the functionalization and staff organization of which Mr. Kendall is the able exponent.

In the department of governmental problems with which I have been most familiar, namely the coordination of our national labor activities, the principles which I have laid down would prove a sound basis for procedure.

The War, Navy and Labor Departments and the Shipping and Air Craft Boards have common problems in the labor field which for their solution demand coordination, centralization and realization of a new function to be performed; all three words, it would seem to me, being connotative of the same idea. But if you bring the representatives of these respective groups into a common, super-labor board, you have at the same time to remember that there are various interests to be guarded, several parties to the joint deliberation which must be reconciled or placated. This is in line with our second principle. And when you come to the practical problem of getting a labor supply for arsenals or navy yards or ship yards you have local problems to be locally administered, but coordinated and controlled by a uniform policy in the larger, national super-labor board which let us hope is in process of development. In other words you will have centralization and decentralization at one and the same time!

So that I offer it as my small contribution that if we proceed as we are now proceeding in Washington on a basis of the principles which I have made bold to restate, we shall not go far wrong. For we shall be effecting in practical affairs a reconciliation between the idea of organization on a basis of function and on a basis of decentralized responsibility; and in government whether it be of industries or of national departments that harmonizing of seemingly opposed ideas has got to take place. And we shall be assuring defined responsibility and power to the staff heads while simultaneously the local people with their local interests will be given place and reckoned with in the affairs of all the departments and boards.

MR. H. J. HALLIGAN: It is my understanding that the purpose of the Society at this meeting is to discuss the subject of "Centralized Control versus Decentralized Control in the Management of Large Organizations." It is your desire, I believe, to hear something

<sup>1</sup>Western Electric Co.

of the principles and plan which have guided us in the development of the Western Electric organization.

Looking back over the life of the business, now in its forty-sixth year, we see that it has been a steady growth and evolution away from decentralized control toward functional management with a central control.

Under decentralized control, units of an organization are formed to carry on the business, and each unit has a large measure of independent responsibility for the performance of its work and the results it secures.

Centralized control in an administrative organization represents the control by the central authority of the policies and methods governing its operations, and the oversight of and the responsibility for the results accomplished by the different units.

With a decentralized scheme of control, it is undoubtedly possible to carry on a large volume of work with an untrained force. Results can be secured, ordinarily with a certain amount of pulling and hauling and duplication of effort, but nevertheless results are secured. As the force becomes better trained, specialists find their way to the front. Recognizing their ability, the executive looks about for the widest possible use in his organization for the services of these experts. Here is the beginning of a trained personnel which may lead to a staff and line organization or to a purely functional organization. In either event, there must be central control of the executive work in order to attain that greater economy and efficiency which is the goal of our ambition.

In affairs of management, much depends not only on the plan of the organization but also on the precise way in which the plan is applied. There is no one type of organization that fits all conditions, but, given certain conditions, you can find the type of organization which will best fit them.

A management may be so decentralized that there is little or no relationship or coordination among the parts themselves and between the parts and the executive. On the other hand, I have seen control so centralized that the units cannot even buy a pound of tacks or a paper of pins in an emergency.

Everyone is likely to think that his business is more complex and difficult than any other. We in the Western Electric Company are no exception. Certainly the cross relations within our own organization and between it and outsiders are extremely complex. If I am permitted to draw freely from our experience, I should like to describe the plan of our organization and certain principles which we have followed in developing it.

First:—For our own organization, we believe in central control over departments divided according to their respective functions, but with authority for action within the departments delegated to responsible subordinates as many steps down the line as possible. I should like to emphasize this delegation of authority to subordinates as a means of obtaining results, and in order to secure such results these subordinates must be supported by a trained personnel.

Second:—We adopted the general theory that the responsibility and the authority of each executive must be clearly established. For this reason, we have our Organization Record, which is a statement of the duties, scope and functions of each general department. It includes charts for each department, showing the names of those in charge and the lines of their authority and responsibility. In certain cases the descriptions of duties are supplementary, and in some cases they explain advisory relations and relations not involving direct authority and responsibility. Similar records exist within the departments, so that each individual in the employ of the Company may have his place and may know what his relations should be to those about him.

Third:—Having thus located the persons making up the organization in their places in the plan, we undertake to define broadly the policies of the Company as a guide for action to the executives throughout the country. This is in line with our policy that executives must be thoroughly grounded in the fundamental policies as a basis for forming sound judgments which they must make upon their individual responsibility. To carry out this purpose we have what is known as a series of General Instructions, which set down our policies on such subjects as:

- Employment and Leave of Absence.
- Employees' Pensions, Disability and Death Benefits.
- Employees' Changes in Rates of Pay.
- Standards of Service.
- Complaints and Claims.
- Reports Required.
- Execution of Contracts and Bonds.
- Matters Requiring Action of Board of Directors.

Fourth:—Next, it is of equal importance to safeguard the relations with employees. They must be so clearly established and so carefully worked out that there will never be any misunderstanding of these relations on the part of our people. An organization may be founded upon sound principles but it will surely fail unless supported by an adequate and trained personnel. In our own case we have tried, above all else, to establish firmly the right relation between the employees and the Company. The employee must be sure of a square deal. He must be certain that promotion is based on efficiency. There must be