

PLANNING APPLIED TO ADMINISTRATION¹

by

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PRELIMINARY to the discussion of the subject-matter of this paper, it may be well to dwell briefly upon two developments in the progress of scientific management which have an important bearing on our topic.

First, the real significance of scientific management is not yet understood by the general business public. Business men refer to it as the Taylor system. They look upon it as an aggregation of mechanical methods. The underlying philosophy—the simple principle of approaching scientifically all problems of business—seems not to have been grasped in any general way by the administrative officials in our business enterprises.

Second, the principles of scientific management seem to be regarded as applicable only to the factory or plant. That the principles which Mr. Taylor advocated are of as great force and of even greater importance in the administration of a business in all its activities, does not seem to be a matter which has been made sufficiently clear. I am speaking now of sheets, not especially of planning boards, route sheets, instruction cards, and other mechanical devices.

There would be no occasion for a paper such as this, if these two tendencies away from the broader view of what we really mean by scientific management had not resulted in a misinterpretation of Mr. Taylor's philosophy and a too narrow application of its usefulness.

DEFINITIONS

The object of this discussion is to focus attention upon the administrative function of business. This leads immediately to a pertinent query. What is the administrative function? And this, in turn, opens up the whole subject of terminology, which cannot rightly be evaded in such a discussion.

What is management; organization; administration? What do we mean by scientific? What is planning? Only recently I heard no less an authority than Morris L. Cooke say that he did not know of an adequate definition for the term "engineer."

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The term scientific management itself is restrictive unless we give the word management a broader meaning than it actually possesses.

If we would, as a group, promote the scientific method in the art of conducting business, is it not essential that we understand each other clearly when we use descriptive terms? Else how can we interpret them to others and be sure that some other member of the group will not the next day give them a different meaning? It does not seriously matter whether we call a thing by one name or by another, so long as everyone employs the same name as descriptive of the particular thing that is meant.

In recent issues of the Society's BULLETIN some attention was given to dilutions of terms in articles by Harlow S. Person, Morris L. Cooke and the writer. While not desiring to launch any controversial subjects at this time, it seems desirable to set up the following conceptions upon which the subject-matter of this paper is based:

"Scientific"—a process of applying analytical and synthetic reasoning to a proposition and to all available data concerning it; i. e., dividing a problem or a proposition into its component elements, reviewing them, improving them, eliminating some, introducing others, and finally bringing the elements together again into a new program or method or product or conclusion.

The word "scientific," therefore, does not denote any particular system. It is a method, a process of reasoning upon the basis of facts as opposed to the process of coming to conclusions on the basis of precedent and snap judgment. This work of analyzing and synthesizing, it is true, may and should be done systematically, particularly in cases where the same kind of problem or set of conditions is repeatedly presented. But in no sense can it itself be regarded as a system.

"Administration"—the function of determining the objectives toward which an organization and its management are to strive, the facilities with which it is to work, and the governing policies and restrictions under which it must work.

"Organization"—a combination of the necessary human beings, materials, tools, equipment, working space and appurtenances, brought together in systematic and effective correlation to accomplish some desired object.

"Management"—the function or force responsible for directly conducting the organization toward the objective set up for it, and keeping it within the governing policies imposed upon it by the administrative officials.

"Planning"—the function of securing the data upon which objectives are based, of determining what facilities are necessary in order that the desired result may be accomplished, of assigning specific portions of the total task to specific members or parts of the organization, of examining the progress periodically to ascertain whether the accomplishment accords with the desired result, and of bringing to light the causes of discrepancy between actual and required accomplishment. Planning is part of the scientific procedure and, in turn, is itself subject to the scientific method.

Mr. Cooke in his article³ suggests that the function of directing precedes that of administration. I have not yet been able to satisfy my own mind that directing is not a part of administration. Mr. Cooke also holds that planning might be set apart as a separate division, and it is entirely feasible, in my judgment, that the direction of the planning process be under the control of a central department.

But let me suggest, parenthetically, that the functions of administration, management, organizing and planning are not departments necessarily. They are present, or should be, in all the major departments of business.

If these definitions are even approximately correct, is it not logical to conclude that the word scientific should also be coupled with the term administration? And is not the administration of a business clearly a separate and, in fact, a vastly more important function than that of management?

No one can successfully confine the use of the word scientific to management only. I am sure that that could not have been Mr. Taylor's purpose. If it were, scientific management would simply have amounted to a label by which a certain set method of management is to be known; in other words, a system. And I am afraid that unless we are careful the word "scientific" may suffer the same fate that has overtaken the word "efficiency."

THE ADMINISTRATIVE SCOPE

It is obvious also that the planning function is not to be confined to the factory. Wherever a task is to be accomplished it comes into play. Indeed, its greatest and most important need lies in connection with establishing the task for the entire business and in coordinating the accomplishment of each branch or department with the common purpose of the enterprise.

Now a business has other things to do besides manufacturing goods, important though that function may be. It must sell them; it must provide finances; it must purchase. It must warehouse and distribute the finished product. It must handle a certain amount of

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miscellaneous clerical routine. It must determine to what purpose the profits are to be put. It must look into the future and plan to harmonize the future course of the business with the tendencies in the world outside of its four walls.

Planning in the sense in which it is used here applies, or should apply, to all these activities. And it should apply to them collectively, as well as singly. In other words, it applies with emphasis to the administrative activities which, as we have said, comprise the direction of the complete business, both as to the future and in the present.

THE PRODUCTION FACTOR

Take the activities of the factory or plant in relation to the rest of the organization. From the standpoint of the entire business there are only three items of basic importance in respect to the plant; first, what shall be produced; second, how much shall be produced; third, what is the cost? Included within these there are the countless problems with which the factory administration and management must deal. No matter how far-reaching or how fundamental any one of them may be, their solution in the last analysis is interpretable in terms of nature and quantity of production and of cost. Not even the labor problem can be solved adequately without keeping in mind these basic restraints. Why? Because they affect the manufacturer's pocketbook? Partially but more particularly because they affect the public pocketbook and must, in turn, affect the worker's pocketbook.

In the manufacturing business all roads lead back to the factory. The size of the business is limited by the production capacity. There can be no doubt of that. Therefore, planning from the viewpoint of the administration of the entire business must start with this factor. And it is at this point that the Planning Department in a plant under scientific management should be capable of bringing its whole armament into focus upon the elements of production and cost, thus establishing the link between the factory and the other departments of the business.

I have in mind one case in particular, among several within my own experience, where, prior to the introduction of administrative planning, the plant was operated upon the basis of sales orders coming in from day to day notwithstanding the fact that the articles produced were standard, and were catalogued. The result in this case was that the factory was loaded with orders for a part of the line way beyond its capacity. Further, the orders for some of the numbers amounted