EXERCISES, CASES, AND READINGS

MANAGEMENT APPLICATIONS

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MANAGEMENT AS A PROFESSION

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The word profession comes from a foundation of science and a motive of service. This is a profession so defined on the basis of a proved body of knowledge, and such knowledge is supposed to be used in the service of others rather than for one's own purposes. Let us tonight ask ourselves two questions: (1) How far does business management rest of scientific foundations? (2) What are the next steps to be taken in order that business management shall become more scientific?

PRESENT SIGNS OF A SCIENTIFIC BASIS FOR BUSINESS MANAGEMENT

We have many indications that the scientific method is being more and more applied to business management. First, of course, is the development of so-called "scientific management" which after its early stages began to center itself with the technique of management as well as with the technique of operating.

Secondly, there is the increasing tendency toward specialized, or what is being called functionalized, management. Functionalized management has, indeed, not yet been carried far. In some cases the only sign we see of it, beyond the recognition that different departments require different kinds of knowledge, different kinds of ability, is the employing of experts for special problems. In other cases a further step is taken and a planning department is created, but the powers given to planning departments vary greatly from plant to plant—some take up only occasional problems as they are asked, others are very advisory bodies. Yet in most plants the functionalization of management is a process which in one way or another has gained a good deal of ground recently. That is, the fact is very generally accepted that different types of problems require different bodies of knowledge.

In the third place, arbitary authority is diminishing, surely an indication that more value is being put on scientific method. The tendency today is to vest authority in the person who has most knowledge of the manner in question and most skill in applying that knowledge. Hiring, for instance, is now based on certain principles and special knowledge. The job of hiring is given to those who have that knowledge. A is not assumed by someone by virtue of his or her position.

Perhaps nowhere do we see more clearly the advance of business management toward becoming a profession that is not a concept of the requirements of the administrative head. It would be interesting to take some firms and note how one duty after another has in recent years passed from the judgment of various experts, down to the point where relatively few decisions are made by the business executive. Or, perhaps, we see the stages through which it will go in the next ten years, from the very recent addition to many businesses, the economic advisor. One wonders, of course, whether it is really that easy for executives to have exactly his job be, said to man, I can't define my job in terms of specific duties because I can't tell what should be done. It's possible that I have only to be given any competent to perform better than can be handled. One of the interesting things about that remark is the way in which he recognizes that someone might handle some of his duties better than he could, and yet he is an exceedingly


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able man. He saw that some particular task might develop a special technique and that men might be trained as experts in that technique.

The stereotype of the successful businessman is indeed changing. The image of the masterful man carrying all before him by the sheer force of his personality has largely disappeared. One good result of this is that we now consider that executive leadership can in part (remember, I say only "in part") be learned. Shandon calls executive leadership "an intangible capacity." I do not wholly agree. Someone else says it is "beyond human calculation." There are many things, we hope, which have not yet been calculated which are not beyond calculation. I think that one of the hopes for business management lies in the fact that executive leadership is capable of analysis and that men can be trained to occupy such positions. I do not, of course, mean every man, but not every man can become a doctor or an architect. I mean that for business management, exactly as for other professions, training is gaining in importance over mere personality. I know a man who told me ten to fifteen years ago that he relied on his personality in business dealings. He has not made a success of his business. It was once thought that the executive's work rested largely on "hunch," and his subordinates on obeying—no science in either case. The administrative head who relies first on the magic shortcut of "hunch," and secondly on his adroitness or masterfulness in getting others to accept his "hunch," is, I believe, about to be superseded by a man of different type.

Can you not remember the picture we used to have of the man in the swivel chair? A bumbling subordinate enters, states his problem, and goes the decision from the chair. This man disappeared only for another to enter. And as it goes. The massive brain in the swivel chair at all times conscious of his followers' special knowledge. An excellent plan if—there seem to be too many if's in the way! And so we resort to the humbler method of scientific research, the method of all the professions.

But with this agreed to, there is another misconception in regard to the administrative head. Many writers speak as if he were only the glue to hold together all these department and functions of our big modern plants. As the need of coordination is daily and hourly felt in these vast, complex organizations, it is said that the president must do the coordinating. True; but I think that coordination is very different from matching up the pieces of a puzzle, to change our metaphor. Later, I am going to say just what I think it is; but let me say now that those of us who think of the administrative head as more than a mere organizer and those of us who think that administrative decisions should rest on more than "hunch" (although "hunch," too, is important) are thinking of scientific foundations for business management.

A significant indication of the different type of management required today is the fact that managers are somewhat less inclined to justify their behavior by a claim of abstract rights. An employer used to say, "I have a right to treat my men as I see fit." Or, "My behavior in this matter is perfectly reasonable." Today there are many who are more inclined to say: "I treat my men so and so, how will they behave? Why will they behave in this way? It takes more than science to understand human beings—and their "rights"—than to proclaim loudly our own rights and responsibilities.

We have a very interesting indication of the new demand made upon management in the fact that the idea, which is everywhere gaining ground, that we may have greater conscious control of our lives and industry, the business world most significantly. For example, those fantastic rhythms, business cycles, are now considered susceptible to study, not as mysteries wholly beyond the comprehension of man. Again, take unemployment. Consider the steel industry. There you have an inexhaustible commodity. Moreover, you can calculate pretty well the demand. And you have rather permanently located firms and mills. There seems no reason, therefore, why the steel industry should not eventually be stabilized. Every time we take a problem out of the inscrutable class and put it into the same, and work at it as such, we are helping to put business management on a scientific basis. Mr. John Maynard Keynes, in an address last summer, spoke of the three great epochs of history described by Dr. John R. Commons, and stated his belief that we are on the threshold of the third of these epochs. The first of these was the era of security,
which came to an end in about the fifteenth century. Next came the era of abundance, the dominion idea of which was the doctrine of laissez faire. Finally, there has come the era of stabilization upon which we are now entering and in which the doctrine of laissez faire must be abandoned in favor of deliberate, conscious control of economic forces, for the sake of the general social good.

Many people today think of business as a game of chance, not as a speculative enterprise depending on rising and falling markets, but as largely controllable. The mysteries and business is in fact disappearing as knowledge in regard to business methods steadily increases.

This is true in the increased sense of responsibility for failure. You know the old excuses if a business failed or was not getting on well: the hard times of bankers, the unprofitableness of competitors, the inscrutable behavior of trade unions. I think that today there is less inclination to take refuge in such excuses; that there is a tendency to seek the difficulties in the running of the business. There is greater frankness in facing difficulties and a keener zest in overcoming them. You know, perhaps the story of Little Mary who was naughty and was told by her mother to go into the next room and ask God to forgive her. When she came back her mother said: Did you do what I told you to?" And she said the reply, "Yes, I did; and God said, "Mercy me, little Mary, I know keep's worse when you.' Many an employer takes this attitude, but their numbers are diminishing.

Moreover, many of the points disputed with trade unions, many points which both sides have thought to be legitimate rights issues, are now considered problems which we should try to solve. To increase wages without increasing price is sometimes a soluble problem. Whenever thinking takes the place of fighting, we have a striking indication that management is coming to rest on scientific foundations. In international relations—but I have only to mention that term for you to see the analogy; for you to see the baroness stage we are in, in international relations, business men have the chance to lead the world in substituting thinking for fighting. And businesses are thinking. One of the things I have been more struck with in the last four or five years has been the vitality of the thinking of businessmen. I said last winter to a professor of philosophy: "Do you realize that you philosophers have got to look to your laurels, that businessmen are doing some very valuable thinking and may yet ahead of you?" And he acknowledged this fully and generously, which I thought was a significant concession.

Finally, management, not bankers nor stockholders, is now step by the fundamental elements in industry. It is good management that draws credit, that draws workers, that draws customers. Moreover, whatever changes come, whether industry is owned by individuals capital or by the state or by the workers, it will always have to be managed. Management is a permanent function of business.

There are many circumstances, let us note in concluding the first part of this talk, which are impelling us toward a truly scientific management: (1) efficient management has to take the place of that exploitation of our national resources whose day is now nearly over; (2) keen competition; (3) scarcity of labor; (4) a broader conception of the ethics of human relations; (5) the growing idea of business as a public service which carries with it a sense of responsibility for its efficient conduct.

WHAT ARE THE NEXT STEPS TOWARD MAKING BUSINESS MANAGEMENT MORE SCIENTIFIC?

Recognizing that business management is every day coming to rest on scientific foundations, what has it yet to do? First, the scientific standard must be applied to the whole of business management. It is now often applied to only one part. Business management includes: (1) the technical side, as it is usually called, a knowledge of production and distribution, and (2) the personnel side, a knowledge of how to deal fairly and trustingly with one's fellowmen. While the first has been recognized as a measure capable of being taught, the latter has been often thought to be a gift which some men possess and some do not. That is, one part of business management rests on science; the other part, it was thought, never could. Oliver Sheldon says:

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Snobbery, management is concerned with two primary elements—things and men. The former element is susceptible to scientific treatment, the latter is not.35 And again, “Where human beings are concerned, scientific principles may be so much waste paper.”36 If we believed that, we should not be here tonight in a Bureau of Personnel Administration. Let us take that statement—that human relations are not susceptible of scientific treatment—and ask what scientific treatment is. Science has been defined as “knowledge gained by systematic observation, experiment, and reasoning; knowledge co-ordinated, arranged, and systematized.” Can we not accumulate in regard to human relations knowledge gained by systematic observation, experiment, and reasoning? Can we not coordinate, arrange, and systematize that knowledge? I think we can.

Sheldon says further: “There may be a science of costing, of transportation, of operation, but there can be no science of cooperation.”4 The reason we are here studying human relations in industry is that we believe there can be a science of cooperation. By this I mean that cooperation is not, and this I insist on, merely a matter of good intentions, of kindly feeling. It must be based on these, but you cannot have successful cooperation until you have worked out the methods of cooperation—by experiment after experiment, by a process of evolution, by a pooling of minds...it is my plea above everything else that we learn how to cooperate. Of course, one may have have a special aptitude for dealing with men as others may have for dealing with machines, but there is as much to learn in the one case as in the other.

In all our study of personnel work, however, we should remember that we can never wholly separate the human and the mechanical problems. This would seem too obvious to mention if we did not so often see that separation made. Go back to the sentence of Sheldon’s: “There may be a science of costing, of transportation, of operation, but there can be no science of cooperation.” But take Sheldon’s own illustration of transportation. The engineering art of transportation is not the larger part. Please note that I do not say it is a smaller part. It is a large part, and it is the dramatic part, and it to the part we have done well, and yet the chief part of transportation is the personal thing. Everyone knows that the main difficulty about transportation is that there have not always been sensible working arrangements between the men concerned. But you see every day that the study of human relations in business, and the study of the technique of operating are bound up together. You know that the way the work is treated affects output. You know that the routing of materials and the maintenance of machinery is a matter partly of human relations. You know, I hope, that there is danger in “putting in” personnel work if it is superadded instead of being woven through the plant. You remember the man who wanted to know something about Chinese metaphysics and so looked up China in the encyclopedia and then metaphysics, and put them together. We shall not have much better success is we try merely to add personnel work. Even although there is, as I certainly believe there should be, a special personnel department run by a trained expert, yet it seems to me that every executive should make some study of personnel work: a part of that broad foundation which is today increasingly felt to be necessary for the business man.

If, then, one of the first things we are to do to make business management more scientific is to apply scientific methods to these problems of management which involve human relations, another requirement is that we should make an analysis of managers’ jobs—what corresponding to the analysis of the tasks of a job in the Taylor system. We need to get away from tradition, prejudice, stereotypes, gutwork, and the factual basis for managerial jobs. We know, for instance, what has been accomplished in elimination of waste by scientific methods of research and experiment applied to operating, to probable demand for commodities, and so on. I believe that this has to be the same. Further, and that managerial work, administering, administrating waste, should be given the same research and experiment. How this can be done, I shall take up later.

The next step business management should take is to organize the body of knowledge on which it rests. We have defined science as an organized body of exact knowledge. That is, scientific method consists of two parts: (1) research, and (2) the organization of the knowledge obtained by research. The importance of research, of continued research, receives every year.
fuller and fuller appreciation from business. The method of organizing the results of such research has not kept pace with this appreciation. While business management is collecting more and more exact knowledge, while it is observing more keenly, experimenting more widely, it has not yet gone far in organizing this knowledge. We have drawn a good many conclusions, have thought out certain principles, but have not always seen the relation between these conclusions or these principles.

I have not time to speak here of more than one way of organizing in industrial plants our accumulating knowledge in regard to executive technique. There should be, I think, in every plant, an official, one of whose duties should be to classify and interpret managerial experience with the aid of the carefully kept records which should be required of every executive. For such classification and interpretation of experience—this experience which in essentials replaces itself so often from time to time, from department to department, from plant to plant—it would be possible to draw useful conclusions. The importance of this procedure becomes more obvious when we remember that having experience and profiting by experience are two different matters. Experience may leave us with mistaken notions, with prejudice or suspicion.

A serious drawback to a fuller understanding of an utilization of executive experience is that we have at present (1) no systematic follow-up of decisions, of new methods, of experiments in managing; and (2) no carefully worked out system of recording. Poorly kept records, or the absence of any systematic recording, are partly responsible for what seems in some plants like a stagnant management, and in all plants for certain leaks in management. For instance, the fact that we have no follow-up for executive decisions with a comparing of results—a procedure necessary before business management can be considered fully on a scientific basis—is partly a deficiency in recording. The fact that an executive, if he wished to introduce a certain method (not in operating but in management itself), cannot find in any records whether that method has been tried before or anything like it, and what the results have been, is a serious deficiency in recording. If an executive is facing a certain problem, he should be able to find out: (1) whether other executives have had to meet similar problems, (2) how they met them, (3) what the results were. It seems to me very unfortunate that it is possible for one man to say to another, as I heard someone say at the suggestion of a new method, "I believe our department tried that a few years ago, but I've forgotten what we thought of it."

I have heard it said that the Harvard football team was put on its feet when Percy Haughton introduced the system of recording football experience. After that, if someone thought he had a brilliant idea that such and such a play could be tried on Yale, the first thing done was to examine the records; and it might be found that that play had been tried two years before and failed. It might even be discovered why it had failed. This system of recording—I believe it already existed at Yale—was Mr. Haughton's great contribution to Harvard football. Because of it, the team could not, at any rate, go on making the same mistakes.

The recording of executive experience, which will probably need a technique somewhat different from that used for the rest of business recording, should have, I think, our immediate attention. The system of both recording and reporting should be such that records and reports can be quickly mastered, and thus be practically useful to all, instead of buried underneath their own verbiage, length, and lack of systematization. And there should be required, from every executive, training in the technique of keeping records and making reports.

But we need more than records. We need a new journal, or a new department in some present journal; we need sifted bibliographies of reports; ways of getting information from other parts of the country, from other counties; above all, we need executive conferences with carefully worked out methods for comparing experience which has been scientifically recorded, analyzed, and organized. When many different plants are willing to share with one another the results of their experience, then we shall have business policies based on wider data than those of present. The Graduate School of Business Administration and the Bureau of Business Research of Harvard University are now collecting cases of business policy, thus opening the way for
classifying and cross-indexing. Harvard has, of course, been able to get hold of a very small number of cases, but this seems to be a valuable and significant undertaking.

I have been interested also in what a certain recent committee, with representatives from various firms, deliberately stated as its object: "the comparison of experience," I should like to know how frank and full their exchange of experience was, but any attempt of this kind is interesting, indicating, as it does, the attitude on the part of those participating that they expect to gain more by working together than they will lose (the old idea) by allowing other firms to gain any intimate knowledge of their affairs.

Moreover, not only should we analyze and compare our experience, but we should deliberately experiment. We should make experiments, observe experiments, compare and discuss these with each other, and yet what consensus we can come to in our conclusions. For this we should be wholly frank with one another. If we have the scientific attitude toward our work, we shall be willing to tell our failures. I heard of a man who made an ice machine which did not work, and the following conversation took place between him and a friend he met:

Friend: "I was sorry to hear your experiment was a failure!"

Man: "What told you it was a failure?"

Friend: "Why, I heard your ice machine wouldn't work."

Man: "Oh, that was true enough, but it was a great success as an experiment. You can learn as much from your failures as from your successes."

From such experimenting and from our comparison of experience, I think certain standards would emerge. But we should remember that, as Taylorie thinks there is anything final in "standardization," so we should not aim at a static standardization of managerial method, executive technique. We should make use of all available present experience, knowing that our learning from it should be equally continuous matters.

If science gives us research and experimentation as its two chief methods, it at the same time shows us that nothing is too small to claim our attention. There is nothing unimportant in business procedure. For instance, I spoke above of record keeping. I know a firm where they tell me that they are not getting nearly so much advantage as they should from their records because they have not yet worked out a system of cross-indexing. Yet to some, cross-indexing may not seem to be of great importance. I know a man who says frequently about this detail or that, "Oh, that doesn't matter.

The following incident seems to me to have some significance. I read in a book that I was working on the technique of the business interview, in which he seemed rather amused and said, "I guess most business men know how to conduct interviews."

It was evident that he though he did—but he is a man who has never risen above a small position. Later, I said the same thing to a clever man in a good position, a New York man, by the way. I asked it a little hesitatingly, for I thought he too might consider it beneath his notice, but he was much interested and asked if he might see my paper when finished.

I have spoken of the classification of experience, the gathering of knowledge, as one of the necessary preliminaries to putting business management on a scientific basis. This organized body of knowledge tends at first to remain in the hands of a few. Measures should be taken to make it accessible to the whole managerial force. There should be opportunities for the training of executives through talks, suggested readings (including journals on management), through widely led discussion groups and conferences, through managers' associations, foremen's associations, and the like. The organized knowledge of managerial methods which many of the higher officials possess should spread to the lower executives. In some cases, the higher official does not even think of this as part of his responsibility. He will say to a subordinate, "Here is what I say—don't care how you do it, that's up to you."

Indeed, many an official has prided himself on this way of dealing with subordinates. But this is changing. It is rare of the Taylor system that standards and methods for each worker's job are made accessible to the worker; also knowledge of

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the quality or work expected, which is shown him by specifications or drawings. Some such system should be developed for management. To develop it might be made part of that analysis of managerial jobs which I spoke of a few moments ago. Indeed, more and more of the higher executives are seeing now that managers' jobs as well as workers' jobs are capable of carrying with them accepted standards and methods.

Of course, it is recognized that many of these standards and methods need the sanction of custom rather than of authority, that they should be indicated rather than prescribed, also that much more elasticity should be allowed than in the detailed instructions of the Taylor system—but this is all part of that large subject, the method of training executives. Possibly in time, as business organization develops, we shall have an official for executives corresponding to the functional foreman who is sometimes known as the "methods instructor," an official whose duty it will be to see that certain managerial methods are understood and followed, as it is the duty of the functional foreman to see that certain operating methods are understood and followed. But I should not advocate this unless the executives were allowed fullest opportunity for contributing to such prescribed methods. The development of managerial technique has been thought by some to involve the risk of crushing originality, the danger of taking away initiative. I think that, rightly managed, it should give executives increased opportunity for the fruitful exercise of initiative and originality, for it is they themselves who must develop this technique even if helped by experts. The choice here presented is not that between originality and a mechanical system, but between a haphazard, hit-or-miss way of performing executive duties and a scientifically determined procedure.

Yet when business management has gained something of an accepted technique, there still remains, as part of the training of executives, the acquiring of skill in its application. Managerial skill cannot be painted on the outside of executives; it has to go deeper than that. Like manual workers, managerial workers have to acquire certain habits and attitudes. And just as in the case of manual workers, for the acquisition of these habits and attitudes three conditions must be given: (1) detailed information in regard to a new method; (2) the stimulus to adopt this method; and (3) the opportunity to practice it so that it may become a habit.

A businessman tells me that I should emphasize the last point particularly. He says that his firm has been weak just here; that they have done more preaching than giving opportunity for practice. he says: "We've given them a lecture on piano playing and then put them on the concert stage. This winter we are going to try to invent ways of giving real practice to foremen so that a set of habits can be formed." No subject is more important than the training of executives, but as it is a subject which would require an evening for the most superficial consideration, we cannot speak further of it tonight. Let me just say, however, as a hint of what I shall elaborate later, that if you wish to train yourself for higher executive positions, the first thing for you to decide is what you are training for. Ability to dominate or manipulate others? That ought to be easy enough, since most of the magazines advertise sure ways of developing something they call "personality." But I am convinced that the first essential of business success is the capacity for organized thinking.

In conclusion: What does all this imply in regard to the profession of business management? It means that men must prepare themselves as seriously for this profession as for any other. They must realize that they, as professional men, are assuming grave responsibilities, that they are to take a creative part in one of the large functions of society, a part which, I believe, only trained and disciplined men can in the future hope to take with success.
Some such analyses of the higher section of so that much — but this as business is functional will be to be functional. I should not thing to such by some to that, rightly initiative and by experts. In between a determined act, there still Managerial. Like manual as in the case be given: method, and says that his opportunity for the concert men so that a lives, but as it we cannot use later, that facile is what easy enough, personality. In organized management's other. They that they are too trained and.

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1. John Rogers Commons, 1862-1945. American economist, educator, and author. Also had considerable influence in labor legislation.—Editor
2. Oliver Sheldon, Bulletin of Taylor Society, Vol. 8, No. 6 (December, 1913), p. 211.
4. Ibid., p. 35.