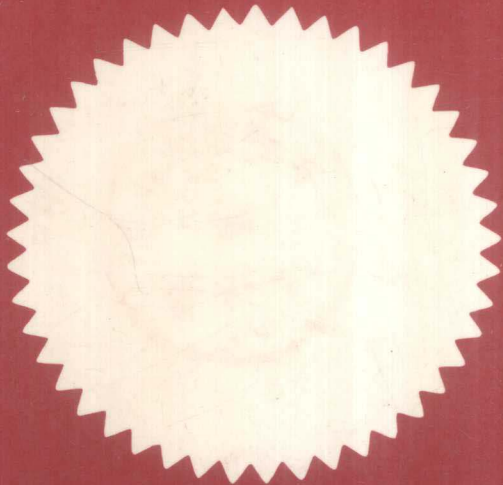


LOUIS A. ALLEN

***management  
&  
organization***



INTERNATIONAL STUDENT EDITION

# MANAGEMENT AND ORGANIZATION

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*Louis A. Allen*

*President, Louis A. Allen Associates*

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*Management and Organization*



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## Preface

Far-reaching changes have been taking place in the economy over the past twenty years. Growth and diversification mark the long-term character of the business climate. Technological improvements have been occurring with startling rapidity. New materials, new products and processes present a host of challenging opportunities to the individuals and the firms ready to exploit them. At the same time, however, shortages in skilled manpower are prevalent, the costs of doing business have increased sharply, and there is keen competition in every aspect of enterprise.

To succeed in this expansive and demanding economic climate, businessmen of every classification have been forced to look not only at the adequacy of their facilities and equipment and methods of operation, but also at the tools they use in managing and operating their business.

It is here that the greatest change is occurring. Leadership of the successful company today must be *management leadership*. From president to first-line supervisor, mastery of the skills and techniques of the emerging profession of management has become a matter of vital concern. Not only practicing managers but also students of business and aspirants for business leadership have found that they cannot prepare themselves adequately unless they are thoroughly familiar with these fundamental changes in thinking about the manager and the work he performs.

New and dynamic concepts of management and organization are evolving which are a measure of the span and the challenge of the business of tomorrow. These concepts are predicated upon the assumption that management is an identifiable, measurable, and transferable activity and that it can be mastered as can any other skill. Many of the older concepts of management and organization have been put to question and abandoned or replaced. Much of this new thinking has taken place so quietly and unobtrusively, even secretly, that it has not generally

been reported. The fact is that some companies consider their methods of management and organization as much a competitive factor as marketing methods, applied research, or new production processes. And often they guard such information as carefully as other classified data about their businesses.

The concepts presented in this book are based on firsthand study and investigation of 230 leading companies. They are the result of the analysis and interpretation of key factors in the growth and development of these companies and the methods of management and organization that enabled them to assume a commanding position in business today. Many small businesses, as well as large, are included, and most of the large companies have been studied from their first early growth stages, when they also were small. The author has had opportunity to present this information in one- to three-day seminar sessions to over 2,200 executives, including 312 presidents and board chairmen, and to discuss it with 40 of the leading organization specialists in the United States. Their reactions have amply confirmed the validity and accuracy of the author's conclusions.

Acknowledgment is due individuals too numerous to mention who have contributed to the development of the data. The interest and cooperation of executives in each of the companies cited is particularly and gratefully acknowledged. They have given freely of their time and attention in making the data available, and in reviewing them for accuracy and completeness.

The primary source of authority for this volume is the operating data secured from the leading companies selected for study. Every statement referring to individual companies in the text has been carefully checked and confirmed by the companies named. Where reference sources for company quotations or referrals are not given, in each case the basic data have been secured from authenticated official documents or statements of the company itself. Since a wide variety of firsthand material has been freely used, a final disclaimer is made to the effect that the interpretations and conclusions in the volume are the author's own.

*Louis A. Allen  
Palo Alto, Calif.*

*To Ruth*



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PART ONE

*The Profession of Management*



## CHAPTER 1 *The Nature of Management*

The manager is one of the great unknowns in business. Although perhaps the most common word in the corporate lexicon, the term "manager" meets with little agreement as to nature, meaning, or scope. This is all the more surprising when we consider the vital importance of precise understanding of this expression to most enterprises. Most company organization charts are studded with dozens of boxes entitled manager of one kind or another. Each such position, presumably, has been assigned management responsibility and authority. In most cases, the performance of the person holding this position is being appraised as a manager and his potential for advancement is gauged against what is assumed to be a management yardstick.

Consider, further, that hundreds of millions of dollars are being spent every year in business and industry to develop management talent. Endless time and effort are devoted to training people in management skills. Many and complicated, also, are the salary administration programs designed to pay managers for performing management work and to award bonuses for managerial accomplishment. Finally, organization is, essentially, organization *for* management and the structure of the business itself cannot be designed successfully unless we know the purpose of that which we build.

### WHAT IS MANAGEMENT?

It is obvious that if we are to consider management a profession, a key problem is to decide what a manager is. Only if we know what we are talking about can we deduce principles that will apply to the act of management wherever it occurs. It is true that, because of the varying nature of business enterprise, we can expect any definition to have many interpretations. And because few of the elements of business are fixed or constant, management will probably always be more art than

science. However, this does not minimize the importance of first defining our terms. We shall begin by examining some of the reasons why agreement has not yet been reached on a definition of management. We shall then establish certain criteria that should apply to any definition we develop.

### *Difficulties in Definition*

Study of a representative sample of companies reveals that "management" is many things. One assumption is that management is what a manager does. This seems to make sense, until you observe the variations in the kind of work done by many managers. The president of one large chemical company, for example, personally approves \$2 weekly salary increases for clerical positions. The president of another, somewhat smaller, company reviews increases only on salaries of \$10,000 or more a year.

The president of a \$250 million company with headquarters in New Jersey opens and routes his own mail. The personnel manager of a large Chicago bank reprimands elevator operators and office boys because the office manager doesn't like to do it. A general foreman in a tool manufacturing plant in Pennsylvania spends a good deal of his time running a fork lift truck because, as he says, he "gets a kick out of it."

The sales manager of a pharmaceutical house is pointed out as one of the firm's outstanding executives. Asked the secret of his management ability, he says, "I believe in getting right down in harness with the boys. I'm the best salesman I've got. If a man wants to keep up with me, he's got to hustle every minute. If he can't keep up, he doesn't belong on my team." In another company, also dealing primarily in pharmaceuticals, the marketing manager does no direct selling himself and does not encourage his field sales manager to make sales contacts. "I pay him to manage, not sell," the market manager says. All this is confusing. At the very least, it makes it obvious that some managers are managers in spite of the work they do, not because of it.

There are other interpretations of management. Attempts have been made to identify the nature of management by selecting a representative sample of managers and administering to them batteries of psychological tests. The data thus derived indicate whether managers tend to be introverted or extroverted, high verbal or high analytical, whether they have the interests typical of the social service, accounting, teaching, or medical professions. However, after this information is collected and analyzed, it tells us only a little about the mental and personality characteristics of some people who are classified as managers. This can be valuable in indicating what kind of person will make the best manager,

but since we have not determined specifically what work we expect of the manager, it is difficult to decide what kind of person we require.

### *Criteria for Sound Definition*

What is management? Definitions and interpretations vary widely. Some see management as a complex of personal and administrative skills. Others view it as a technique of leadership. Still others define it as a means of coordination or cooperation. These are part of the picture, but they are inadequate to our needs. For our purpose, we must be able to identify management as a body of systematized knowledge, based on general principles which are verifiable in terms of business practice. We should be able to demonstrate that management is a distinct activity. Our concept should allow for the fact that a manager may manage with good or bad judgment, with great or little experience, with exemplary or undesirable character traits, that management may be practiced in similar terms by all kinds of people, in all kinds of companies. Our concept of management should provide for the identification of transferable skills and these skills should be susceptible of measurement.

Our first step in determining the nature of management is to identify the manager as a leader and to differentiate between two kinds of leadership exercised in the direction of business undertakings.

## LEADERSHIP AND MANAGEMENT

A leader is one who guides and directs other people. Because he has others subordinate to him and subject to his command, the leader must give their efforts direction and purpose. How does the leader provide direction? Here we must establish two points. First, *leadership is a kind of work*. It is not the exudation of a special psychic quality or the exercise of a unique combination of personality traits. All kinds of people can be leaders just as all kinds can be led. The second point is that *all work performed by leaders is not management work*. This helps explain why, although a good manager must be an effective leader, many outstanding leaders have, in fact, been exceedingly poor managers. We can clarify the difference by distinguishing between personal leadership and management leadership.

### *Personal Leadership*

The first and natural mode is personal leadership. A leader almost invariably begins his career in leadership in terms of his own personality and his own strongest aptitudes. A person is *born* with the talent for personal leadership; he must *learn* management leadership. Individuals



tend to pass through successive stages from personal to management leadership; so do companies.

The founder of a business enterprise invariably operates in terms of personal leadership. Consider, for example, George Eastman, who established a great enterprise, the Eastman Kodak Company. He not only did much of the work of developing early commercial film and simple apparatus for its use but also helped design the machinery, conducted his own chemical experiments, did much of the selling, and supervised the operation of the plant.

Another, Harvey S. Firestone, was not only chief salesman and production head for the Firestone Tire and Rubber Company in its early days but also chief stock clerk, machine designer, and financier.

Examples are endless. Herbert H. Dow first established a place for the infant Dow Chemical Company in a rudimentary industry by inventing a new way of extracting bromine from brine and by introducing a whole series of products new to the markets of his time. Dow not only developed his own processes; he also supervised construction of his own plant, raised capital, and conducted much of his own research. Henry Ford is another outstanding example. Here we have a mechanical genius who developed a means of putting together standardized parts for an automobile more quickly and economically than had ever been done before. Every Model T and Model A that came off the production line bore his personal imprint. His personal leadership made the early Ford Motor Company.

*Characteristics of Personal Leadership.* Personal leadership has identifiable characteristics. First, authority is highly centralized. This means that the leader personally decides most of the issues, wherever they may arise. No matter how large the enterprise becomes, he allows subordinate leaders little freedom in making decisions related to the work they do. To check up on how things are going, he relies on personal inspection and audit of completed work. As we shall see later, the personal leader almost always finds it easiest to operate within a functional form of organization. The most significant characteristic of personal leadership is that *the leader does much work which the people he leads can do, or could be trained to do, as well or better themselves.*

*Evaluation of Personal Leadership.* There are many advantages to personal leadership, particularly if the leader is an outstanding individual or has a special talent. To the extent that the work of the leader excels, the results accomplished will be outstanding. Because personal leadership is centralized, it can mean fast, aggressive action and great flexibility.

The weaknesses of this type of leadership are, essentially, the weak-