1921

What makes good management?

Casket Manufacturers Association of America. Committee on Management and Cost developments

L. S. Ashley

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BEING THE FIRST OF A SERIES OF ARTICLES ISSUED BY THE COMMITTEE ON MANAGEMENT AND COST DEVELOPMENTS OF THE CASKET MANUFACTURERS ASSOCIATION OF AMERICA

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FOREWORD

This article is presented as one of a series of five, resulting from the work of the Committee on Management and Cost Developments of The Casket Manufacturers Association of America. The titles of the five are:

What Makes Good Management?
Management and Budgeting.
Management and Commodity, Profit
 and Loss Statements.
Management and Opportunity.
Management and Wastes.

This Association began its effort for systematic and accurate cost finding back in 1913. The effort has been fruitful of economy, efficiency, intelligence and progress in the industry. The articles, of which this is the first, are an extension of the effort.

Wherever cost finding has failed to produce expected results, the failure has been that of management, not that of information. Costs are a basic part of the information requisite for the safe and intelligent conduct of business, but it is evident that cost information is of little value unless it is used by management as a guide to action. Hence comes the emphasis on management in the present work of the Committee.

Management is the big question of the day in business. The Association is seeking earnestly and persistently to focus the attention of its members on management and to help develop them as managers. If it succeeds in even a small way, its expenditure of energy, time and money will be justified by results.

Respectfully submitted,
L. S. ASHLEY, Chairman.
D. M. ANDREWS,
H. A. HANEY,
WM. MAUTHE,
C. R. MURPHY,
J. H. STALEY,
Committee.

What Makes Good Management?

It was the late J. P. Morgan, Sr., who gave utterances on the witness stand in court one day to probably the most famous epigram in American business. "I don't lend money on collateral," he said, "I lend it on the man."

Of course Mr. Morgan did not intend that his remark should be taken altogether literally. The far-reaching truth he pointed out is that ability and character count for more than anything else.

If Mr. Morgan could have been persuaded to expand his epigram into a treatise, or to write a textbook out of his vast experience in business and his observation of business men, he undoubtedly would have repeated his epigram in this fundamental proposition:

Management is the life of business; without management business is dead.

The proposition has been proved so often that one might think it self-evident. That it is not, however, the repeated attempts of ignorant and poorly equipped men to launch business ventures and the inefficiency of most government operations, from which the management is conspicuously absent, bear witness. Even though the most extensive attempt in the history of the world to dispense with management and managerial ability has recently come to an inglorious climax in famine and economic prostration in Russia, there are multitudes who still fail to attach due importance to management.

An examination of business and its essentials leads to the same conclusion as a review of such instances as that of Russia. The first step in the examination is to arrive at a definition of business. None is better than this:

Business is trading for profit.

The next step in the examination brings us to the question of what makes a successful business. Is it capital? Capital is important but ingenious men get along on little of it or else, by their ingenuity and ability, manage to amass it. Some men believe that a large volume of sales is what makes business. Volume has its place, but at the same time volume is sometimes followed by bankruptcy. In some circumstances profits follow volume, but in other circumstances, losses follow volume.

There are others who evidently think that the physical establishment—the factory, the elaborate offices, the expensive storerooms—are the essentials of business. These are all important things, but some businesses make money until they set up elaborate establishments and then either stop earning or actually lose.

Perhaps some will say that the success of the business depends upon the staff of employes. That the staff plays a large part in the success or failure of a business cannot be denied. However, its members can be replaced, perhaps not always by equally effective individuals but so satisfactorily that the business can run along. Therefore the staff is not the foundation of business.

Good will, though an asset of enormous value, is the result of management. It can be gained or, if lost, can be regained. Some businesses fail in spite of the fact that they make or deal in the best commodities while some succeed with commodities of only passable quality. So the foundation of business can't be either good will or the worthiness of the commodity.

Having eliminated all the other factors as not being fundamental, we have only one left, namely, the quality of management. If the quality of management is sufficiently high, it will make up for the lack of all other factors, by supplying either the factors or substitutes for them. Management is the brains of business, the driving force of business, the quality which brings business to its goal of profit. That is why the experienced and canny investor would rather put his money into a poorly equipped establishment which he knows to be well managed than in the most awe-inspiring piles of brick and steel poorly managed.

When one begins to inquire into the elements of successful management and managerial ability, he finds that the answer is bound to be indefinite and qualified by a multitude of ifs and ands. There appear to be no hard and fast rules for sound managerial conduct or for acquiring managerial ability. One manager develops a Marshall Field's, one of the most successful stores in the country; another manager produces almost as conspicuous an earner in The Boston Store, which caters to the cheaper trade in Chicago. Their qualities and methods are apparently at opposite poles and yet they both achieve success. The further one goes the more he realizes the entire absence of uniformity in the qualities making for management. One manager achieves success by close application to details; another wins out by avoiding all details. One does well by reason of a winning personality; in the same industry another man does equally well, and perhaps even better, by cold harshness of resolution. You can't tell just what managerial ability is or exactly how to acquire it.

However there is such a thing as the technique of management. Assuming the presence of managerial ability to a moderate degree, one can do much to develop and make the most of the technique of management. Moreover, some qualities of management are fairly well agreed on. Development in management involves the consideration and study of the known qualities and reflection of what can be deduced from them.

Discussion of management is worth while now because men are thinking about management, all on account of the two years of depression, from 1920 to 1922. The American Society of Mechanical Engineers has gone so far as to set the week of October 16 to October 21, 1922, as Management Week to stimulate interest in and solve the problem of management in industry. When manufacturing firms are making money easily, it is hard to interest them in cost accounting. When they have been losing money for awhile, they are willing to give cost accounting the hard work it needs to make it successful. The same thing is true of management. When everybody is making easy money, there is no incentive to labor on management. But after a period of reverse, executives are willing to get down to brass tacks and hard work and do what is requisite to develop their abilities.

A group of men, all of them successful managers themselves, recently met for a session of several days to discuss the elements of successful management. After long thought, their minds met on many qualities. But before announcing their conclusions they declared that the first rule of all in management is that all rules fail at times and that the successful manager makes his own rules to a very great extent. The conclusions from this group related to the technique of management. The members of the group recognized the fact that the management of a business is not necessarily confined to one man. However, a multiple management must, at least in the aggregate, have the same qualities as a management composed of a single individual. Therefore in the statement that follows, the word manager must be taken to mean management.

Here are the suggestions from the group:

The manager must run his business but must so organize it that it will run without him for a reasonable period. He must not permit his superintendent, his bookkeeper, his salesmen, his customers, his competitors, or his wife to run it. While he should be willing to discuss matters with all of these, he should make his own decisions. He should be the head of his business and control all matters of general policy in his organization. Since the best interests of his business sometimes demand that he be away from his office, he should train his staff to the exercise of routine authority so that he will at all times be free to go.

The manager must be a builder and developer of men. One of the most powerful factors in success is the ability to develop lieutenants. Furthermore, bearing in mind all the mishaps that can occur to a human, and also being mindful of his obligations to associates and stockholders, the good manager will have another man to take his place.

The manager should have no regular stated duties. Of course this principle is subject to modification on account of the differences in the size of business which require variations of technique. Generally speaking, the manager should not be able to point to an aggregation of detail functions and say of them: "They constitute my job." He should be free from detail to go anywhere, dig anywhere, and be ready to boss the whole job or any part of it.

The manager should know more about his particular concern than any other man in it. It is not necessary that he should know every detail that is known by any other individual in his organization. He should not be distracted by detail but neither should he avoid it altogether. He must strike a happy mean between the two extremes.

The manager must know or learn the cost of running his business.

The manager should acquire a general knowledge of the construction of his products so that he can supervise the work, straighten out difficulties and be in touch with the whole institution. He does not need to know enough to take the place of any of his workmen but he should know enough to enable him to see when things are going wrong. Ignorance here means the possibility of throwing away money at a lively rate. It is a good plan for a manager to go through his plant once a day, not necessarily into all departments, but far enough to keep himself informed. Thus he can develop the power to use his eyes, foster his judgment and improve his perspectives. As a consequence, he will be able to check up his superintendents and foremen. The old saying, "The master's eye does more than the servant's hand," is sound in any business.

The manager must know or learn the kind of product to make and to that end must circulate intelligently among his customers and others. Just what is intelligent in the extent of circulation is something the manager must determine for himself.

The manager must be firm and have tact. He should have at least a reasonable amount of personal touch with his employes. In all his relations with his subordinates he should be positive but at the same time he should avoid arbitrariness.

The manager should delegate responsibility intelligently. One of the mistakes most pregnant with damage is the attempt of the manager to do what can be done by others in his organization. If he is the only competent person in his organization, or if his business cannot afford additional competent employes, of course he is limited in delegating responsibility. If he has a staff, however, the way to develop its members is by giving them duties, the authority to perform the duties, the credit when they have performed the duties well, and the blame when they have performed the duties poorly.

The manager should be in close touch with the buying to buy at the right time, at the right prices and in the proper quantities. It is just as important to prevent overbuying as it is to buy at the right time. The buying department has endless importance for it is the source of many profits and also of many losses. In order to supervise buying competently, the manager must be acquainted with his firm's requirements, his local market, and general market conditions.

The manager should be in touch with general business conditions. The value of a knowledge of general business conditions and their effect on given industries and individual firms is more and more clearly recognized. General business conditions are a large part of the cause of prosperity or depression in an industry. They always reflect in individual businesses. The manager who maps his course of procedure according to general business conditions as they are modified by the conditions of his industry and his own firm will be able to take advantage of numerous opportunities for profit and to do much to avoid acts, situations or policies which would result in losses.

The manager should be familiar with industry conditions in order to know the trend and the opportunities of the industry. He should be in touch, too, with managers of competitive firms through the trade association of his industry. Most successful managers welcome the opportunity given them by trade associations for becoming acquainted with conditions and acquiring the information they need to enable them to make intelligent decisions.

The manager should determine his firm's sales policies. If he lets his salesmen, his customers or his competitors determine them, he will damage his efficiency. He must know his margin of profit and must always remember that the object of business is profit. In order to attain that object he must know the price that will move goods but will make a profit at the same time.

The manager should at all times be thoroughly informed on the financial condition of his firm. The financial department is peculiarly his province. Efficiency here requires not only a thorough knowledge of his firm's finances but also an understanding of the general financial condition of the country. In short, the efficient manager should keep in touch with the basic conditions that have so much to do with market movements.

The manager should be acquainted with general credit principles and with the credit condition of his firm in order to speed up his financial turnover and at the same time give the most effective accomodation to his customers. It is not necessary for him to know and judge each credit risk, but he should have the knowledge to enable him to handle special cases and determine general policies.

The manager should know something about traffic conditions and the general regulations governing traffic movements.

The manager should be reasonably economical.

The manager should be honest, fair, willing to face his own faults and to keep from fooling himself, persistent, possessed of courage, backbone and initiative, forward looking and not too conservative. He must be objective and not subjective, that is, he must look at everything that happens to his business from an unbiased viewpoint and judge it by fact instead of looking at it from a personal viewpoint and judging it by emotion and by prejudice.

The manager must keep himself in good health and do whatever is necessary to maintain a fresh and vigorous viewpoint.

No Substitute

(*Editorial from the Saturday Evening Post of August 10, 1922.*)

With the amazing material development of this country since the Civil War, and more especially perhaps in the last generation, has come a marked increase in the importance of those professions which are in a sense the adjuncts of industry and commerce. Such are the chemists, engineers of many varieties, accountants, statisticians, advertising and publicity men, lawyers, economists, and in a sense banking itself. Each group has grown in numbers and in professional standing.

At a recent convention of one of these groups a member who had become wearied of listening to speeches which made it appear as if this particular profession covered the entire business map, went to the secretary at the close of the session and said, "At the next convention I suggest that you have a paper on our profession as a substitute for management."

Sad to relate, the secretary took the suggestion seriously. But there is no substitute for management or for the business man. The manager, the chief executive, the business enterpriser has many faults. Too often he acts upon flimsy and insufficient knowledge. He is poorly trained and his ideals are often deplorable. Instead of being guided by well-defined, scientific and long-headed policies he frequently acts upon impulses, and looks for his profits in the bargains of the moment instead of well-considered services to the community.

But it is difficult to see how any of the professional groups and cults or all of them could take his place. A short time ago a man in his ripe forties, who had been trained as a lawyer, was made the chief executive of a corporation which is among the four or five largest and the most important in the world. The day after his promotion he told one of his assistants to make no appointments for him for some weeks to come which would in any way interfere with the work which he proposed to devote himself to—namely, the taking up of problems of internal organization. Who doubts that his ability to solve those questions, rather than any knowledge of law, will spell success for him?

It was once said that an education has no value except as it affords ability to know a good man when one sees one. But such ability is essentially an individual matter and largely independent of education, occupation and profession. In a business of any size the head of the concern must be engaged mostly with personal problems, relieving men of responsibilities, giving it to others, shifting men around, finding new ones, getting rid of a number, and still retaining the spirit of cooperation and good will. Those who know the most about it say what common observation indicates: that this is a problem the chief executive must face alone.

Now if a chemist, a cost accountant, a lawyer or any other professional man has this gift of organization and the initiative to do things with an organization when he has once got it, he will soon become a substitute for management in the sense that he will become the management. Until then he will continue to work for the business man. Even the greatest bankers and the money kings in the nation's financial center must depend upon finding executives of great outstanding ability. Vast wealth or financial preeminence bows before builders, organizers, developers, men like Hill and Harriman.

An experienced vice-president of a considerable enterprise in one city was called to another city to head an even larger company in the same line, but one in dire straits. A farewell dinner was given him by more than a hundred young men from all parts of the country who called themselves his boys because they had worked for him at various times. In his speech he said he was confident of making a success of any business, provided he could draw enough of these young men into his organization. Within a year after taking his new position he had thrown the red ink out of the window. This simply means that he had the gift of organization, of getting teamwork.

Experience does not show that business enterprises can be successfully conducted without reposing final responsibilities upon one man or at most a very few men. These responsibilities in the last analysis have to do with human and personal problems, the ability to handle which some men are born with and others are not, irrespective of subsequent training and occupation. Improvements in technical and professional training will always prove valuable aids to business, but that is a far cry from being a substitute for the sheer ability which is the vital essence, the indefinable spark of business success and progress.