

PRINCIPLES AND THEORIES OF ORGANIZATION

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Colonel Miles, Gentlemen:

I am not going to blush as I am a case-hardened veteran. Colonel Miles noticed I had been educated in Germany and because of my German name a connotation of close relationship to Germany is indicated but it is not so. My father was German, my mother was French and I was born in London; if that is treason make the most of it, and I still have some lingering traces of early exposure to educational influences in England.

Now, my subject, Colonel Miles, in case you don't know it, is "Principles and Theories of Organization". I am not too happy over the thought that I am going to present to you a discussion on theory and principles because you might condemn me as a theorist on admission. I shall try to sugar-coat the dose by some practical illustrations from experience which extends over the whole of the United States and eight foreign countries, professionally speaking, and I am drawing on that experience, if I may here and there, in the development of my theme and I do hope that you will follow the example of your distinguished predecessors. They flagged me with questions at the close of the session and delivered a pretty tired fellow to the Army and Navy Club at noon.

Now I have been accused of starting ever thing with the cycle at the time of Adam and Eve. I won't go back quite so far today but I do want to paint the background somewhat so we may have a frame from which to project

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the thoughts and points of view which I want to submit for your analysis and possible dissection, so let me say that at the present moment this country, in common with all other countries of the world except those actively engaged in belligerent undertakings, stands on the brink of a catastrophe which threatens to plunge us into a welter of blood, and really from more points of view than one, to destroy civilization as it is now constituted.

I want very quickly to analyze for you the causes which have led to the situation. They represent my own point of view and I can only claim for it that it has been thoughtfully put down and that I myself believe that on the whole it represents probably most of the factors which cause the present situation.

First of all, I say these are a bewildering number of forces at work, but first of all I would emphasize the uncontrolled growth of populations. Then I would say that the unbalanced distribution of natural resources is a cause, a factor, of huge conception. I would next suggest that the growing demands for redivision of colonial empires play a prominent part in shaping things up to this crisis. While it is true that for the present we have heard very little relatively speaking from Mr. Hitler on that subject, there is no doubt in my mind that that question will have to be settled before the people of the world can do business with him, or his successors, in a way that doesn't affront our sense of decency. Then disrupted economic orders, the cause and effect; they embrace the whole world within the scope of their influence. Paralleling this we have clashing social philosophies; we have them in this country, as a matter of fact, but I wish to have a picture reasonably

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complete, a picture of the onward sweep of various philosophies in Europe, and the absolutely astounding and unexpected outcome when the proponents of the two principles which clash find themselves as one, or to put it "locked in an obscene embrace". I, for one, as a student during the course of my time of life of those conditions, and with a much more than casual familiarity with practically all the European countries, except Russia, was utterly unprepared for that development. I just wasn't in any frame of mind to concept that such a thing could be possible, and yet one could reason that, in the outward form at least, the practices of the Nazi regime and the Soviet government are indistinguishable because they involve extinction of liberty, subjugation of the masses, and control of huge resources by what, in our vernacular, we would describe as a "bunch of racketeers".

I made a study of Germany some years ago, as a matter of fact a year prior to the time the Nazis ^{seized} ~~ceased~~ power. I made a study of its philosophy; I was supposed to be ill and taking one of these delightful cures at a place in the interior of Germany, and the first thing I did, it was my conception of how this cure should be taken, I got myself a secretary and --oh, Mrs. Hopf was along, please don't misunderstand me I suddenly realized I might be suggesting things -- she had to know German, French, and English, because my correspondence was with most of the languages. I collected during that summer a reasonably complete set of editorials from all the newspapers and it was the most fascinating thing to do; it led to some conclusions which, with regard to 1933, were very fine for the after events. I have always been rather pleased with myself that I was able to forecast on the basis of that study, and mind you, only on the basis of what was in those newspapers and not with any reference to the newspapers published in any other country, was I able to forecast what happened. I also predicted the drop in Nazi popularity

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which was going to occur for one reason — there was a Communist in the obscure city of Boyton who had been in rather an effective and horribly brutal manner put to death. It took one hour and twenty-nine minutes to kill him and he had twenty-seven wounds on his body, some of them of indescribable character, and these men were arrested and they were condemned to death. But what did Mr. Hitler do, he was a party leader, and he sent them a telegram and he said, "I put party above government; the blood verdict will not be carried out upon you". That lost him two million votes. If he had sent word that "Once you were members of my party but I shall not soil my hands with the blood of a single German; you left my party and you are going to have your just due" he might have been elected a year earlier. There were ten thousand Nazis standing in the courtyard intent upon delivering the verdict, but these men were sent home quietly, otherwise there would have been civil war in Germany then.

While I am on this clashing of social philosophies, if I had to pick out one of these against any other that is the cause of much of what we are suffering from today, I think that is probably the common denominator that runs through everything else. It is a strangeness that the mind of man which has learned to master the forces of nature should have within itself the seed of destruction.

Then there is the increasingly bitter struggle for the world markets. I could use every one of these as texts for elaboration, but I would never get into the main part of what I want to say if I did that. I have been going to Germany ever since I was that high and I have seen the changes in Germany during the last, nearly fifty years and I can say, on a basis of my own observation and study, that Germans betray a positive genius in the

field of inability to govern themselves. They are never happier than when something is imposed upon them. I won't say that that imposition should take the form of what the Nazis say is the most enlightened, most advanced social order of the day — oh no, that is where we part company.

This just came to my desk from Germany. I happen to be an engineer and this is the paper of the leading engineer society of Germany. Here is an editorial of October 19, and it is headed "Europe's Decisive Hour" and there is a final paragraph which says, roughly translated "Therefore, this war will not throw continental Europe back by decades and destroy its best forces; neither will it in this determining hour prove possible to demonstrate that Europe will for the first time find itself". This is written without any thought of propaganda, except in so far as the Germans themselves are concerned. To show you the practical side of the picture here is another section. These are advertisements for engineers, four pages of them. Advertisements for engineers, Germans trained in engineering, and that one factor as much as any other which I could put my finger on at the present moment will prove to be an obstacle in Germany's military objectives. Do you want to know what they are doing? Here is Junkers, a name with which every military man is familiar. I dare say there are some among you who have actually encountered Junkers during the World War. Dr. Junker was arrested on a charge of high treason and he died while still under that charge, and only because at the instigation of the German Republic he had planned, erected, and operated plants for the manufacture of airplanes in Russia. As soon as Hitler came into power he stated that this was high treason and they took Dr. Junker's property away, and a man at the risk of his life testified for the Junker family and succeeded, after a year and a half, in regaining for them fourteen million marks, representing the value of Dr. Junker's property in part.

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That man at this very moment is sitting in my office at New York, a refugee, and he is Germany's leading management engineer. I have invited him to come into my office for one reason alone; I want to learn from him something about the advanced technics of management that he has employed in his practice and I say that without any apology because the man, in my judgment, is far ahead of anything we can show in this country. When that court decided in favor of that family the Chief Justice stepped off his rostrum, went down to where this witness stood and said "I recommend urgently that you at once leave this country". He got out just three hours ahead of the Nazis. I thought I should do this as a decent citizen and a man who confesses an interest in humanity; do something for these brilliant emigrants. I don't go out to seek them, but I do, when they cross my path, try to be helpful and in another case, a man who owes largely to my wife, who is a member of my firm, the fact that he is in this country now happily united with his family, walked into a member of an Anti-Jewish committee just before he was going to leave. He had been, for two weeks, concealing himself at night in forests, in the homes of farmers, Jews and Gentiles indiscriminately. I want to say that there are many, many thousands of Gentiles in Germany who have the deepest sympathy for the unhappy fate of the Jews and who do all they can, at the risk of their lives, for them.

But getting back to the engineers. I am afraid some of these terms are going to be a little difficult to translate. That seems to be planning engineers, construction engineers, operating engineers, "end of the engineers" perhaps that means inspection or something like that. Lots of expressions grow up over night and unless you are in constant touch you have another language within a year or two. Draftsmen, cost calculators, these are all

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wanted. There is another advertisement in here I want to get, Junker has three in here you see. They want inspectors, planning engineers, material engineers and procurement. They all have to have good knowledge of engineering. That is as near as I can come to giving you a graphic demonstration of how Germany is going to defeat herself, as it is possible at this moment, on this day in November, 1939. And when it comes to gasoline, why did they take 640,000 Polish soldiers into Germany — only one reason, to replace in part the lack of man-power. Why do they need manpower? It takes a million men to extract the gasoline from the coal in quantities sufficient to supply the present requirements of Germany; and that gasoline is inferior, doesn't equal our quality of gasoline or that gasoline that is at the disposal of the British and French.

I thought I would throw those few observations in in order to illustrate some of the internal conditions, the difficulty of keeping an organization in balance; that is the point I want to bring out.

Yesterday I was serving a client who happened to have published that monstrous book called "Gone with the Wind". I don't mean he published it, he printed it, and you'd never suppose what his difficulty was — it was three books in one and it completely unbalanced his manufacturing process, because he had his crews of people standing by while this monster was going through, not like the wind, but damming up the production process at each point. So, it is extremely important in every plan or organization to see to it that the sub-divisions are balanced well. You know that now we are talking about streamline divisions; that is the whole theory of planning, involved with the idea that each part will supplement every other part and together they

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will contribute the full force to the final effect.

Undue concentration of economic power — I will pass that over without reference to any limitations, because I think we will find undue economic concentration of power in any country of the world, including America.

In blind resistance to change in a dynamic society the only unchangeable factor with which we are faced is the fact of change. We are always going to have change. The important thing for statesmen, business executives, is to plan in such fashion that they can synchronize the various elements that contribute to change and keep them measurably under control. The business man is faced with two sets of conditions; one, economic control, relates to his internal affairs and therefore he very seldom does much about it and that makes a harvest for management engineers. The Chinese had a proverb which went, "Don't get angry at the pigtail of your superior, but use it as a climbing rope". Unless there were many pigtails in the world a lot of us would be without jobs and aspirations. It is important to balance the factors in a small business, or on a large scale, and the business executive who realizes the impracticability of economic — in a business, knows he can't do anything about it. His object is to make as good an adjustment to the situation as capacity may determine.

The tenth point, the rising militance of labor in its quest for economic security. Now, lest you imagine that I am out of sympathy with labor's aspirations, which is a deduction that might possibly be drawn from what I have just said, let me hasten to suggest that labor's rights, the legitimate rights, rather the recognition of labor's legitimate rights, has been too long deferred, but having made that statement I go on to say that labor, if it will

continue its assertion through the power of its position of undue possession rights, it will be exposed to exactly the same sort of criticism and resistance as has been launched against the economic royalists in business.

Alright; Now, closely allied with these ten forces and providing in some instances influences inciting drastic action is the existing widespread atrophy of leadership among the so-called democratic countries. I think nobody will doubt that, up to the advent of active warfare two months ago, that charge could lie against the so-called democratic countries. Perhaps the leadership existed, perhaps it was obscured by the fact that we proceed here very largely by common consent and by freedom of discussion and the widest possible expression of opinion. Yet after all when you look at it purely from the point of view of accomplishment we are occasionally entitled to describe it as blundering.

That reminds me of a comparison once made between democracy and autocracy. Autocracy was likened to a sailing ship, some of you naval men may jump on me for the comparison but I claim the valor of ignorance of such things; with ~~sails~~ ^{sails} blowing full in the wind and responding instantly to the touch of the helm by the helmsman, but sooner or later destined to founder on a rock. The democracy may be likened to a raft — you can't sink the damned thing, you are always up to your knees in water on it, and you can't steer it.

Next, the breakdown of the international monetary systems. The inside history of the relationships among governments in the last few years with regard to international monetary systems makes tremendously fascinating reading and some of the conclusions which were reached by Mr. Raymond M. ^o in his recent book "After Seven Years", in which we will give him his view, are extremely interesting and somewhat significant. He does give you a peek behind the scene, particularly on the occasion of that ill-fated economic

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conference in London, which some people say was sabotaged. I don't know, we shall find out fifty years from now when it doesn't matter. So the breakdown of monetary systems which are designed for facilitating change of goods and services over the world, is a force that has to be reckoned with.

The accumulating threats to the existence of free enterprise is another eagle which is particularly bothering a certain trade association. (Off record)

The rapid spreading of racial and religious intolerance is a factor all thinking men must unite in deploring.

The swiftly changing aspects of industrialism — I can say to you, gentlemen, on a basis of over thirty years constant observation of how organizations are managed over ~~the~~ large part of the world, whether in Europe or America or the far East, when I say in the far East I mean managed by white people, you find one thing; organizational lags behind in application to a given situation, when according to all the laws of common sense, organization should be projected in advance of the fact. Now why does it lag behind? Because the limitations of those who manage these organizations are unwilling to be disturbed; perhaps because they realize that thinking, after all, is rather a painful process not too often indulged in; they work along the line of least resistance.

As my first test I say "By the way I presume you have some sort of organization chart, not that it is of particular interest at the moment, but it will give me something to go on", and then watch the look of embarrassment on the man's face. The higher he is the more embarrassed he is, unless he is at the point where he does not give a damn and says "I want it done because I said so". He digs down in his desk, blows off the dust, and brings out a lot of papers, the date is usually three years behind, and he says "Well we have a chart here, but we will have to make some changes". He doesn't seem

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to realize that he is talking volumes to me when he tells me that. I could say to him, speaking tactfully, "What you are speaking so loudly that I don't hear what you say"; and I could say to him that there are very many people in the world that whenever they open their mouths seem to have an uncanny ability to subtract from the sum total of existing knowledge. Maybe by the time I get through I will be included by this group in that number.

You can see, I presume by those observations, that I don't always agree with my clients. There were two things and just one of them that I ~~can~~ could do; I could either give the client what he wanted or try to give him what was good for him and I have slaved like hell all these years to give the man what was good for him instead of giving him what he wanted. When the time comes that I have to give him what he wants I want to quit.

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The extinction over wider and wider areas of the world of practices hitherto deemed in harmony with the concepts of liberty and freedom of thought. I have in mind a book that has a far more potent influence in Germany, and I mention Germany to the exclusion of other countries because at the present moment the whole world is focused on it, called "Myth of the Twentieth Century", written by a German by the name of Rosenberg, and it is far more dangerous than even Hitler's "Mein Kampf"; and I even found traces of Rosenberg's book included in Hitler's text. Now that book completely denies the right of the individual to his own organizing unit and to march forward to his own destiny. He is there for the State. These young Germans are being taught to sacrifice themselves gladly for the State; well, Mussolini has the same thing in the Fascist Youth Movement; catch them young, tell them what is good for them, then command them. The German girls belong to a different union called the _____ . Now there isn't a German

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who has not transposed that to "Soon German Mothers". Now there isn't a German who has not some, shall we say that their idea of the concepts of liberty and freedom of thought, has been perverted to the point where every single female of the species is just a unit in a huge breeding experiment, and has no right to the product of that conception, the State takes it over. These matters are becoming an accelerated thing of speed. These are being believed by millions and millions of people just because they are in the hands of arch builders who seek to satisfy their lust for power. So you have a type of organization developed there as you have in Russia and as very unfortunately you may have to develop, certainly for the duration of war emergency, in the countries that must succeed or fail to survive in the combat.

I have completely lost my capacity for experiencing the shock of surprise. I listen to the broadcasts, whenever I am at home, from France, from Germany, from England, and from Holland. I make notes of their points of view and I say that I must award the palm for successful propoganda for the time being to Germany; the clever^{est} job done in the world today, so devilishly clever that even I have to watch out for myself, I have to apply my intellect vigorously against it. At one time I was in Germany, among a crowd of about 250,000 people, when Hitler came out to the area, and then bellowed at that crowd for one hour and fifteen minutes. I was carried away by mob psychology, but as soon as I got away I said "What damned unadulterated rot"; my common sense came to my rescue, but picture a German who has no defense mechanism. Do you know what those Germans suffer from the most? I will tell you for you would never guess. It is the compulsory turning on and listening to one thousand and one military bands blaring forth. I have had one German industrialist tell me within the last three months that "It is the crowning indignity and

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I suffer so acutely from it that sometimes I feel I am going mad" — there is a picture for you. Just switch that dial by ten points and you are apt to be stood up at dawn and bing, bing.

The epoch making innovations deriving from the inventive genius of man in all departments of human endeavor have themselves contributed greatly to these bewildering changes which characterize the present panorama.

The unprecedented complexity of modern life, with its concomitants of regimentation, standardization and devitalization of the creative spirit — I have contributed a lot to standardization but I hope the time will never come when I shall view it as anything but a means to the end and not the end itself.

The contraction of the world[^] caused by development of modern means of transportation and communication, annihilating time and space. We have seen it happen in the last twenty or twenty-five years. I saw it in the office of Governor Strong, Chief of the Federal Reserve Bank of New York, where I was his assistant. I saw him reach a decision after a telephone conversation with — ? and thirty minutes later a change in stock prices was effective. That was the decision this one man made. What better illustration do you need? It is a part of the contention that time and space have been annihilated by the genius of man.

Finally, the lust for power which propels men along evil paths with ceaseless energy, pursued by the furies, if you will, utterly heedless of the fearful price exacted from humanity in the satisfaction of their demonic instincts — that is Hitler.

Now then, I have long entertained a personal conviction, reinforced by study which very few men have compelled themselves to make in their lifetimes. This conviction of mine is that at the root of many, if not all of the difficulties that beset us, in common with other countries, lies

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our inability to think in terms of organization and to profit by the teachings of the past respecting this supremely important force.

I am going to present some principles selected because this is a subject that is so broad that it is fearfully hard to bound it within a period of time that one dare take on an occasion such as this. Without any particular reference as to the order of their importance I want to say, first, whenever you find that the power of decision is not placed as closely as possible to the point where action originates, you are faced with a fault of organization. Now I must not confuse you; I am talking about industrial conditions. It also applies in modified form to military conditions. Perhaps in military operations you find the least violation of this principle, but in industry -- well, just go into an organization some day and try to get a decision on a matter beyond the routine and see what happens. You have to take it up with so and so -- then you have to see Mr. So and So Plus One; he says "I can't pass on that, take it to So and So Plus Two" -- you continue that way, and you can't get it decided, you get one of these half decisions that don't mean anything. They hedge around too much. I don't mean that the opposite is necessary to be cultivated. For instance, I once had a banker, he wasn't an executive he thought he was. "All I care about is being right 51% of the time" he said. That is just tomfoolery; it isn't even intelligent, and if that man gives himself a batting average of that figure he has a lot of territory left uncovered.

But to place the power of decision as closely as possible to the point where action originates is what we should strive for. It means developing subordinates, it means despatch. If we can accomplish it, it means relief of the executive overload which is one of the characteristics of the present industrial scene. There are more men in middle life killed today by heart

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diseases in business by far than ought to be simply because they think that all knowledge resides in them and they think that the ratio of the knowledge of the people in the field is in reverse order to their distance from the business. God help the fellow who is ruled by a man in New York and resides in Kanakanak.

The changing of detailed information into control information as rapidly as possible as it moves upward through successive organizational levels. Now, we will all agree that it is important to have timely, complete and significant information. Well, I will give you the opposite of it. I served a client once, still a very good friend, who had an office in Kansas City and he had seven large plants throughout the country. The product was of perishable character. If it didn't move from the shelves of the stores into the hands of the consumer within four weeks from the date of manufacture it had to be turned back and then reworked or given away. You know that man did not get his information until six weeks after the food was manufactured and then he didn't get it consolidated; he got the details of the sales all over the United States. This he had to start to build up with literally 42 accountants around him, and perhaps a month or so later he'd find out that he had made .432 or something, or he might have lost something. There is no sense in organizing in that fashion. That information had to be moved more to a middle point. As rapidly as the business moved it had to be adjusted to the tempo involved in the situation then he had to get it as closely as possible to the actual incident. I told him all that in language suitable to the occasion, by indirect more than direct assertion. He said "You know I am inclined to think you are right. I never thought of it; I better change"; and he changed it. I give him 100% for that.

Then there is the paper work; the amount of information that is put

in detailed form on paper. How do we reach judgment when we do it in this fashion. We contrast a situation with which we are dealing with the that the same action of our experience of the past and we arrive at judgments. That is what we do, that is the mental process. If you have no valid standards by which to judge performance or cost or time or movement through space you are lost and it is very important not to beevil your own thinking by having a multitude of things. It is the hardest thing to get facts, and they are stubbornly elusive. The people closest to the situation are the ones least capable of giving the facts and very often you have to battle to get what you want. I sat for eleven hours yesterday on one situation and I am still smarting for lack of sleep and I was so wrought up over it last night the last thing I did was to just hurl language to an unresisting dictaphone, using up three cylinders which were packed. That means 6,000 words in an hour and half and the girl is probably stuck with them today I dare say, but it is there.

The next is substituting departmentalization for functionalization wherever required for large scale organization. Now the evolution of organization. The size you may first have and when you get a medium stage size the need for functionalization then loses in force; the larger the organization becomes because the problem of coordination becomes greater and sometimes it tops itself and under those circumstances you must go back to your other pattern and begin to define functionalization and departmentalization. It is not easy to do. One of the best examples in the world is the General Motors Corporation. I say, study it and try to find in the organization why these things were done and you have added to your capacity for thinking in terms of organization. Next in line I put the Catholic Church for this reason. It commands my respect as an example of organization and for principles of decentralization.

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There are just five jumps from parish priest to the Pope. I have to watch out, I might sometimes create the wrong impression. I might be talking to some members of that particular faith and they might misconstrue what I say. If they take it in the right way it works 100%. You show them the business of the Catholic Church is done with five levels and then show them they have eight; that is a simple analysis. It is the juxtaposition that even the limitations attached to the intelligence of any business executive should be equal to mastering. I talked ahead of my point. That is the next point I want to mention, the effective distribution of labor, but you will remember the Catholic Church story when you have forgotten this principle. The over-elaboration of organization defeats its own aims. Then clashes of authority. I don't get disturbed over them. I am a pretty good clasher myself but I often see clashes of authority. I am dealing right now with three sets of brothers in three different organizations. I have to keep these three sets of brothers separate and sometimes I don't succeed. I married two of them off this summer thinking that bringing wives into the picture would be a stabilizing influence. It didn't work. But speaking of clashes of authority — tell a man who has made a success according to his point of view that he has got to protect that success by subordinating his point of view to the views of the organization and you have a job. You have a job because a successful man usually is positive, often dogmatic, and frequently unaware that there is a law of diminishing returns.

Now then, we place emphasis permanently upon individual authority and responsibility. We use the individual channels until they are exhausted and then we supplement them by group action. That is the way to administer, that is the way to lay a foundation for sound organization, because after all is said and done, organization expresses itself through personality.

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In a moment of less control than I ordinarily demonstrate, I flung my fist within the neighborhood of a client's face in one of these violent gestures and I said to him, "The trouble with/^{you}is that you are applying management by mathematics." "Certainly I am, what is wrong with that?" was his reply. What is wrong with that — the only management worth while that I have ever seen is management by personality and the only thing worth while in the word management is the first syllable. I don't despise mathematics; but I don't believe in concentrating only on the third digit to the right of the decimal point. I once had a client who was concerned only with that third digit; he had his faith settled by the fact of that third digit. The opposite extreme is dealing with astronomical figures, saying that it takes 170 light years for something to come from some stellar body to the earth. Does anybody here know what 170 light years are? I'll tell you; it's 6 by 6 by 2 by 24 ; 936 with 15 figures following. I used to think I knew something about a billion, but the adding machine broke down the first time we had a billion dollar day in the Federal Reserve Bank. Most people can't think in terms of a million and then you come along with 170 light years. There was a fellow by the name of Charles Falt, who for thirty years, dug around in the New York Public Library. I'll tell you what he was after. He would find out that the good ship Mary Anne arrived on April 15, 1873 in the harbor of Sidney, Australia, and reported that some weeks back the ship had suddenly been unvulated by dust. He searched newspaper and found and then tried to find some connection between the two. Imagine a man spending his life on that, just because of his implacable determination to quarrel with science. He wrote one book in connection with astronomy. He wanted to know why when a meteor comes to the earth and is picked up it is still red hot and

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yet it takes 170 Light years to reach the earth. It must have started before the Christian era and yet it is still hot. In his preface to the book he said, I give you a little choice example of his method of expression: "Arm me for drawing with a redwood tree, furnish me with white chalk cliffs to write upon, magnify me thousands of times, and then I might write large enough for my subject" What a mind! Was he satisfied with chalk? No, he wanted a redwood tree and whole cliffs of white chalk. I get a kick out of that, whenever I think of it.

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Alright, now there is a crying need for decentralization. Fear, personal limitations and ignorance of sound principles operate against it. I don't take to mathematics but I use mathematics a great deal under protest as the only way of being precise. I hire a fellow to do my mathematics for me. I have set up^v principle, that is a formula, as the result of investments of \$30,000 in ten life insurance companies in the last 32 years. I have been ten years at it but I wanted that one measurement and I made up my mind if I had to take 50 years to do it, I'd do it and I have got it. These are companies doing business in New York State, or that have operating expenses, as we define it, of \$ It is my hope that there will be a set-up to control the movement of these great financial organizations. All I can do is finish the information, finish the facts that I have; show that every single life insurance company that has had two billions of life insurance in force in this generation has approximately entered a period of diminishing^{ing} returns. I expect, if I live long enough, to fill five of these ponderous volumes with all that stuff, but that is all. I had to build a building to house the material and I think it is the world's finest library on management with twelve languages represented. A wonderful break for me is that somebody down here in Washington suddenly

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decided to bring it to the U.F.C. and started investigating the different life insurance companies at the expense of the companies themselves of many hundreds of thousands of dollars and proportionately much smaller expense to the tax payer, and have produced priceless information which I hope to get. The only trouble is the postponement by the commission of that study for a year or two.

You don't have to make a lot of assumptions. A man comes to me and says "Mr. Hopf, if so and so, and if so and so" — by that time my attention value has been reduced to zero. I can't work with that, but let me have the facts, let me be sure they are complete, let me be sure they are sound and that the supposition is sufficiently great, and I can do something with those facts.

A hundred years ago there was an Army surgeon by the name of who practiced up at Fort North Plattsburg, N.Y. One day there was brought to him a Frenchman, horribly torn by a gunshot wound in the abdominal region. By a miracle he succeeded in saving the man's life, but his skill was not equal to the task of closing that gap, so it was vouchsafed to him, of all human beings, to have the first opportunity of seeing over a prolonged period of time the human organs that work in the body of a human being. He made 116 experiments on that man, and the man became fed up in more ways than one and he skipped. They brought him back and tried another two years experiment with him and the result absolutely overturned all the existing knowledge concerning the digestion. He turned the information over to the Medical Society in Boston and this is what he said in the preface of that report; "I submit a body of facts which cannot be denied, my opinions can not be , my opinions may be doubted, denied, or approved according to whether they agree or not with the opinions of the person who reads them, but they are incontrovertible facts. You will find a reprint of that on the shelves in

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the library of the Harvard Medical Society.

Now I will get to the final status. I want to show you how I arrived at my own philosophy with respect to organization. It will just take a few minutes and perhaps will live in your memory when other things are forgotten. I say, without immodesty, that I am the best posted man in the world on the literature of management. I will challenge anyone to mention any book that is distinctly a management book concerning which I cannot give a reasonable description of right here, standing on this platform, and whether it is in English, French, German, Czech, Polish, or any other language. I'd like to get a rise out of this. I almost forgot, forgive me Gentlemen, but we don't stand on formality. I don't like to be formal, but I have to behave myself sometimes. I figured that Colonel Miles, with that smile, could not be anything but a liberal chap.

There is a book called "Industrial and General Administration" written by a French engineer called Fayre, which was published after the World War and represents descriptive schools of thought radically different. He bases his whole philosophy of management or the dynamics of organization, on six terms.

Prévoyance, that is nothing but foresight planning.

Organisation, that is French for organization.

Coordination, - coordination.

Commandement, military in his thinking he introduced direct opinion of command that has no place in industrial organization.

Direction, that is the key word.

Contrôle, control.

Now there are the various aspects of organization and management presented

in six terms. Now I will give you my own critical view. My method of studying any field is first to master what seems to be the key word to the field and be sure that I am familiar with the contents. I have a habit of taking 6, 8, 10, or a dozen books and putting them on edge on my desk and looking at the titles, not looking at the books, I begin to reason concerning philosophers and their opinions expressed in each book, and out of that analysis comes synthesis . You are beginning to see a new pattern and that is how I got my own concept of what management means. I said to myself, "He has done a very good job, probably better than anything that has hitherto been done". I stubbed my toe on this "Direction" because it is only one phase of supervision, and supervision must be expressed on all levels. In organization, oversight is exercised by gang bosses, and you have supervision by the superintendents, management direction. It is too bad the English language is so limited as to thought, it isn't precise enough. I am impressed with the ^{beauties of the} English language but to express this I'd have to talk to you in German and I am afraid you would throw me out. Direction is a vague concept. I will show you what happens when you give it a different relation as one component element among six.

Suppose we put it out here; (Illustrating on blackboard) put it on one side, you see. The French term for management, there is no exact term. We always called it scientific organization of labor. So you take direction; we say that direction management is the direction of an enterprise. You see we will assume that management and direction are interchangeable; management is the direction of enterprise. Now, through what? Through planning, organizing, coordinating and controlling — and of what? Of the human and of the material resources. And for what purpose? Toward the achievement of a pre-determined objective. It took me five years of ^{the} most grueling kind of analysis

to simply find that point and feel the job was well done. Therefore, the national function is direction. The function of planning, organizing, coordinating and controlling of the human and material resources toward a pre-determined objective.

Now there your commandability speaks. True, if you are within a sort of economy you won't have common demand. It applies in planning, in coordination, in controlling and in all the rest. That it pervades all points, in my point of view, is superfluous and certainly inconsistent with the general application of authority from our point of view in this country. So we take out commandement. We then are prepared to say this - we have direction, we have planning, organizing, coordinating, and controlling. This is functionalization, and out of each one of these we have something like this.

Planning — We will call it analysis simplification and standardization.

Organizing — We call it combination, development, and adaptation of the structural element of organization.

Coordinating — We call it integration, cooperation and motivation.

Controlling — The measurement of performance. Supervision in all its aspects and adherence to a valid standard.

So, you have a master functionalization — four functions, twelve processes, and out of those twelve there are bewildering numbers of techniques; at least a hundred already collected in my own research library. If you can remember this you will have a frame of reference in your work that will never desert you. You can go any where you want to and when you have a problem to face, what do you do first? You classify and you must classify under one of the headings.

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There isn't anything you might mention to me now in the whole field of management that cannot be classified under these — planning, organizing, coordinating, and controlling — so you have your frame of references in your own work. You will perhaps on occasion, get a quite undeserved recognition and — penetration and profundity by holding on to these things, this lifeline, and not harkening to many assertions, but looking wise.

As for the processes — analysis, simplification, standardization, combination, development, adaptation, integration, cooperation, motivation, measurement of supervision, and adherence to the valid standards, those go too, in your frame. You can take a group of men and in two hours time, by using that frame of references, you can give them an entire course in management. Write them down, never forget them; not because I do it, but because the thing is so constructed and is so broad a plan that no one has ever been able to upset it. My colleagues are so damned mad because they are forced to agree to the proposition of its right.

All right, Gentlemen — I didn't intend to talk quite so long. You have been lovely in your patience. I don't know that perhaps I have any particular thought to add that would be along these lines. The tremendous value of doing fundamental thinking in whatever station in life we are called to. There is really no excuse for our not thinking in fundamental terms; putting our thoughts under the rigorous discipline of analysis and exhausting the field in which we are acting so at least we can say we know the facts and we can reason the facts and principles to conclusions adaptable to a given set of circumstances with which we may find ourselves faced.

Back of all of this, prevailing all of it, is the one word "Leadership". I want to send you for your library a few copies of an address I delivered on another occasion, a year ago, on "Leaders and Followers in a Changing World".

If you will kindly write my office I will be glad to send a half dozen copies. The world will always respond to leaders and leadership is not often, not always, the sort of thing that is exercised before blaring bands and snouting tumults. It is often done in the quiet stillness of the night, where men are faced with terrible responsibilities and must reach judgments of tremendous significance; a Chamberlain, who, in the agony of his feeling, cried on the radio, "What a incredible, horrible, phantastic thing that we should be fitting gas masks, and digging trenches for a quarrel in a far-away country", and when goaded and goaded and oppressed, finally demonstrated his leadership by saying, "But if it should be that these objectives were to be secured by force then we should guard ourselves as being obliged to meet force with force". Making that decision was leadership. Whether history will ultimately pronounce a verdict upon that act as having been for the best interests of humanity we do not know. We are confined in our limitations to be able to assess that at the present time. I'd rather take my stand with that type of leadership than the type that expresses itself night after night after night in broadcasting and heaping indecent tasks upon those who dare to differ. Leadership in that direction is based on madness.

If I have given you anything quite different from what you have been led to expect, do not blame your Faculty. They have no reason to know who I am, what I think, or what I am apt to perpetrate upon this platform.

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Discussion following lecture by

Mr. Harry A. Hopf,
November 10, 1939

- Q. Would you care to say a word about the controversy of the Chrysler Corporation as to whether management or labor will say what production will be?
- A. I am in favor of participation by labor in management with regard to the determination of the conditions under which it must operate. I do not, however, take the position that management should be required to submit to the dictates of labor in the executive tasks for which it alone has the responsibility.
- Q. Mr. Hopf, in answering this question I'd like to go back to the beginning of your lecture. The answer may have some effect on the ultimate nature of the distribution of our industrial problem. What is the extent of the British hold on the European continent, and to what degree could a pact between European countries be considered as evidence of an intent to break?
- A. In the first place the evidence is fairly clear. The Russo-German pact was undertaken with respect to the division of Central European interests. Russia has perhaps put one over on Brother Hitler by keeping in an outpost in order, first of all, to protect itself in the Baltic. Putting it on a narrow base we could say that Great Britain should really yield to Russia and Germany on the of economic interests of Eastern Europe. For perfectly practical reasons, in my judgment, it is not until we shall have something approaching a federation of the European continent, all European states, can we ever look forward to a period of peace. They must be balanced, and have an exchange of goods and services in order to have a good business and prosperity. On the border scale, you might say that in

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all times to come, England and Germany will be opposed. They are the two great states. I wish I had the time -- will you invite me again sometime so I can talk longer about this. You know what has happened to me this morning. I am so terribly tired that I am just over-stimulated. I should have closed long ago. I want to come here sometime and I want to have a question box. You see I won't make any speech at all. I want about thirty questions on hand or sent me before time so I can have a little chance to look at them, and then come down here and answer them for you. Will you do it?

Colonel Miles: Surely.

A. Right now I personally believe that some guarantee for peace on an organized scale could be worked out in Europe. England would have to surrender what interests she has in the Baltic States and as far as trade is concerned just trust to her own manufacturing. If India should revolt against the British rule -- and the Germans are doing everything in the world they can; night after night they are hurling broadcasts concerning conditions in India, and some of them -- well, I want to say to you, that several times when they are through and I have made notes (we have seven radios but I always go to the Institute to listen to the Germans because I find it is the best) I find I have to look up so many things those devils have said for they are so far-reaching in their quotations. But there is a missing factor there and that is the United States. If England today would make peace, if she could find some way of not having to mobilize after six months or a year -- as some of my British friends tell me with some embarrassment that Britain has not yet given a very clear answer, and has been forced into a rather uncomfortable position, but the last German soldier will find a Britisher facing him, make no mistake about that.