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BUSINESS ADMINISTRATION

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PREFACE

Collegiate training for business administration is now so widely attempted that the time has arrived when experiments should be conducted looking toward the organization of the business curriculum into a coherent whole. Training in scattered "business subjects" was defensible enough in the earlier days of collegiate business training, but such a method cannot be permanent. It must yield to a more comprehensive organization.

There can be no doubt that many experiments will be conducted looking toward this goal; they are, indeed, already under way. This series, "Materials for the Study of Business," marks one stage in such an experiment in the School of Commerce and Administration of the University of Chicago.

It is appropriate that the hypotheses on which this experiment is being conducted be set forth. In general terms the reasoning back of the experiment runs as follows: The business executive administers his business under conditions imposed by his environment, both physical and social. The student should accordingly have an understanding of the physical environment. This justifies attention to the earth sciences. He should also have an understanding of the social environment and must accordingly give attention to civics, law, economics, social psychology, and other branches of the social sciences. His knowledge of environment should not be too abstract in character. It should be given practical content, and should be closely related to his knowledge of the internal problems of management. This may be accomplished through a range of courses dealing with business administration wherein the student may become acquainted with such matters as the measuring aids of control, the communicating aids of control, organization policies and methods; the manager's relation to production, to labor, to finance, to technology, to risk-bearing, to the market, to social control, etc. Business is, after all, a peculiarly organized scheme of gratifying human wants, and, properly understood, falls little short of being as broad, as inclusive, as life itself in its motives, aspirations, and social obligations. It falls little short of being as broad as all science in its technique. Training for the task of the business administrator must have breadth and depth comparable with those of the task.

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BASIC ELEMENTS OF THE BUSINESS CURRICULUM

CONTROL

1. Communicating aids of control, for example
 - a) English
 - b) Foreign language
2. Measuring aids of control, for example
 - a) Mathematics
 - b) Statistics and accounting
3. Standards and practices of control
 - a) Psychology
 - b) Organization policies and methods

Of problems of adjustment to physical environment

- a) The earth sciences
- b) The manager's relationship to these

Of problems of technology

- a) Physics through mechanics, basic, and other sciences as appropriate
- b) The manager's administration of production

Of problems of finance

- a) The financial organization of society
- b) The manager's administration of finance

Of problems connected with the market

- a) Market functions and market structure
- b) The manager's administration of marketing (including purchasing and traffic)

Of problems of risk and risk-bearing

- a) The risk aspects of modern industrial society
- b) The manager's administration of risk-bearing

Of problems of personnel

- a) The position of the worker in modern industrial society
- b) The manager's administration of personnel

Of problems of adjustment to social environment

- a) The historical background
- b) The socio-economic institutional life
- c) Business law and government

Stating the matter in another way, the modern business administrator is essentially a solver of business problems—problems of business policy, of organization, and of operation. These problems, great in number and broad in scope, divide themselves into certain type groups, and in each type group there are certain classes of obstacles to be overcome, as well as certain aids, or materials of solution.

If these problems are arranged (1) to show the significance of the organizing and administrative, or control, activities of the modern responsible manager, and (2) to indicate appropriate fields of training, the diagram on the opposite page (which disregards much overlapping and interacting) results. It sets forth the present hypothesis of the School of Commerce and Administration concerning the basic elements of the business curriculum, covering both secondary school and collegiate work.

In this curriculum the present volume is designed to serve as part of a general introduction. It is used as the basic material in a beginner's course in Business Administration. This course parallels another dealing with the physical environment of business and follows still another which considers social environment. The three courses thus constitute a survey of the physical and social environments of business and a general analysis of the outstanding relationships of the business administrator.

In its scheme of presentation I think of this volume as being made up of four parts. Chapter i, a very brief first part, presents a general view of the field of study and a certain mental attitude toward the field. Because I have no better term for this mental attitude, I call it a functional approach to the study of business administration. Chapter ii, a somewhat longer second part, examines a business problem—that of plant location—as a means of giving the student confidence in the analysis of business problems which is sketched rather abstractly in the first chapter and as a means of inducing him to think of the outstanding relationships of the administrator as highly interdependent activities.

Chapters iii–ix form a rather bulky third part of the book. Here, one after another of the functions of the business administrator is discussed, with particular reference to the character of the problems involved and to the control policies and devices of the manager. The reader will find that the book is a “what and why” book rather than a “how” book. It is not a manual of technical

practices and devices in business. It is an attempt to see the problems of business administration as an interrelated whole and to indicate the lines of study which will presumably lead to solution of those problems.

Chapter x, the brief fourth part, presents in moderate detail a "business case" for the student to analyze. It is a sort of an acid test of his earlier study.

From the point of view of teaching technique, this study of business administration is worked out through what is called, again for lack of a better name, the discussion method. Questions, problems, and cases are the tools of the discussion method and all are employed in this book.

Some ways of using these tools may be illustrated as follows: If a class were given an ordinary textual reading on plant location and the class meeting were conducted by asking such questions as, "What are the more important factors in cotton mill location?" it would be possible, at least, to get a discussion started among members of the class, although it must be admitted that the meeting might degenerate into formal routine questioning and answering. If, on the other hand, the class were given a full account of the procedure followed by the Spinwell Company in determining an appropriate location for its new plant, we could readily have a discussion participated in by the students as a result of their analysis of this case material. Case study by students presumes a knowledge at the outset of the main factors to be considered. The questioning on the part of the instructor would almost necessarily go deeper into the matter than routine questioning and answering. The student would be almost certain to carry away a more vivid appreciation of the issues at stake, because in the case method the mind is aroused to activity to piece together related facts in order to find new meaning in them.

A third possible tool of the discussion method is the problem, and this may be of almost any grade of severity and may of course be combined with case material. If, for example, the Spinwell Company case contained an analysis of several possible locations without reaching a conclusion on more than one, the class discussion might well analyze the correctness of this conclusion or might be directed toward listing in order of preference the three most desirable locations, giving reasons for the order chosen. This would probably be a problem of only moderate severity if the case were well written

up. A more severe problem could be set by asking the class to determine whether a certain location, not mentioned in the case, would not have been still better than the one chosen. Now the students must presumably secure new data concerning this new location as their first step in solving the problem. This brings in of course a new opportunity for mental discipline.

As the present book is designed for use in an introductory course surveying the whole field of business administration, it does not include advanced problems. It embodies, none the less, a case and problem approach, and its emphasis is on the case and problem method, although as a transitional collection it has been thought wise to include enough material and questions of the more routine sort to enable the instructor to adapt his teaching method to the stage of maturity and preparation of individual students and classes. The final chapter—in my mind the most interesting bit of teaching method in the book—is a “case” of rather wide reach. It has been my experience that Freshmen can and do handle this case reasonably well at the close of the course: a stimulating hint of the possibilities for more advanced courses.

Perhaps it is worth adding that there is no question that these possibilities can be realized. For more than a decade the group with which I am so fortunate as to be working has been developing a case-and-problem presentation of economics and business subjects. We find the method particularly well adapted to our intermediate and advanced courses, and much of our instruction in these fields is now on the case-and-problem basis. This of course does not mean that the lecture and the textbook do not have an appropriate place in instruction.

It will be noticed that no effort has been made to give exhaustive bibliographies. It has seemed sufficient in an introductory survey, to suggest at the end of each chapter a few references for further study. The most modest library can meet the demand thus made.

It is hardly possible for me to give appropriate recognition of the assistance I have received from many sources during the preparation of this material. It has passed through three mimeographed editions, two pamphlet editions, and a “preliminary” edition to its present form. During this rather lengthy period of preparation criticisms and suggestions have flowed in from almost every member of the group with which I am most closely associated as well as from many other collegiate instructors. My debt to authors and publishers who

have so kindly consented to the use of their material is equally great. I must mention particularly the assistance of Walter Smith, Ruth Reticker, Mildred Janovsky, May Freedman, and Dorothea Schmidt in gathering material and the kindness of Professor C. O. Hardy in preparing the chapter on "The Administration of Risk-Bearing."

A conscientious effort has been made to give credit where credit was due. I am quite certain, however, that many questions have been taken from sources whose origin has been forgotten in the long period of preparation. General acknowledgment of this indebtedness is here given.

UNIVERSITY OF CHICAGO
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L. C. MARSHALL

Possibility of preventing accidents.—Experience has shown that at least 50 per cent of the industrial accidents are preventable. Twenty-two of the foremost industrial concerns of the United States report an average reduction of 54 per cent in yearly accidents after the introduction of organized safety work. The International Harvester Company, the Neenah Paper Company, the Illinois Steel Company, and the Milwaukee Coke and Gas Company each reported a reduction of more than 80 per cent. In eighteen months the Port Huron Engine and Thresher Company, in a plant employing between three and four hundred people, reduced accidents 56 per cent and cut down compensation costs.

Safety devices.—To accomplish these results many ingenious safety devices have been developed to protect workmen. Glass hoods catch the fine steel splinters from the emery wheel; goggles cover the metal grinder's eyes; "congress shoes" with steel plated toes protect the molder from a scalding should he spill the hot metal he is carrying; "safety nets" catch the falling workmen, tools, or materials in construction work; automatically locking doors protect elevator shafts in office building and factory, etc.

Importance of personal equation in the reduction of accidents.—Mechanical appliances play an essential but comparatively small part in accident prevention. By far the larger number of accidents is dependent on the person or persons involved. This has been demonstrated repeatedly by studies of causes of accidents and of methods of preventing them. The experience of the Illinois Steel Company, one of the pioneer companies in safety work, has led them to evaluate the different methods of attacking the accident problem. Only 17½ per cent of the total reduction in accidents is attributed to the introduction of mechanical appliances, and another 8 per cent to improved lighting and cleanliness. Educating by means of lectures, or bulletins, or instruction while at work, was held accountable for 30 per cent of the reduction and the organization of Safety Committees for 20 per cent. This experience is typical.

6. PREVENTION OF OCCUPATIONAL DISEASE¹

Prevalence of industrial health hazards.—Nowhere has there been sufficient appreciation of the extent and variety of occupational disease. Dr. Hayhurst, after an extensive study, states that "from

¹ Taken by permission from L. K. Frankel and Alexander Fleisher, *The Human Factor in Industry*, pp. 142-44. (The Macmillan Company, 1920.)

one fourth to one third of the medical afflictions of trades persons are due in the whole or in great part, to industrial health hazards."

Processes grouped according to hazards.—In his study of Ohio industries Dr. Hayhurst classifies the hazardous industries as:

- (1) Those using poisons as a chief hazard.
- (2) Dusty industries.
- (3) Those in which fatigue and inactivity are the chief hazards.
- (4) Those in which heat, cold, moisture, or dampness predominate.
- (5) Those in which there is more than usual liability to contracting communicable diseases.

(6) Industries having miscellaneous hazards not included above.

The largest class is probably the dusty industries. It has been estimated that approximately 5,600,000, or 17 per cent of American wage earners of both sexes, work under conditions more or less injurious to health because of atmospheric impurities caused by dust, fumes, or gases. Professor Winalow has listed some 54 trades in which fine particles of bone, hair, metal, and mineral vegetable materials form a dust which it is more or less dangerous to breathe. This by no means covers all the industries, processes, and occupations which give rise to dust; almost every manufacturing process may expose workers to this hazard unless precautions are taken.

Preventative measures.—A large amount of the unnecessary sicknesses and premature deaths may be prevented with comparatively little effort or cost on the part of the employer. Many occupational diseases may be prevented by:

(1) Securing the scientific ventilation of workrooms, especially by the installation of efficient local exhausts which remove dust at points of generation. In some industries, such as in smelting and refining, fountain-pen-point manufacturing, jewelry, etc., the dust created is valuable, and it has been found profitable to recover the valuable material from the collected dust by means of a patented electrical precipitation process.

(2) Securing cleanliness by providing ample washing or bathing facilities. Some plants provide separate lockers for street clothing and working clothing, so arranged that the worker must remove his working clothes, hang them up to dry or place them in the lockers, and must then pass through the shower room before he can get to his locker containing street clothing.

(3) Wearing of proper protective clothing, viz., respirators and goggles in dusty processes which cannot be taken care of by exhaust

ventilation, as in sand-blasting and emery-wheel grinding; boots and gloves in wet and chemical processes; special shoes for foundry workers; helmets for welders; water-cooled furnace doors for hot-process workers; overalls, aprons, caps, etc.

(4) Shortening the working hours (and, therefore, the period of exposure), allowing rest or "spell" periods in fatiguing and exhausting work.

(5) Requiring physical examinations at entrance, to weed out those unfit for work and to place others where they are best suited physically; and periodically to ascertain whether workers are suffering from the effects of their occupations so that changes may be made and treatment or necessary advice given.

(6) Providing medical care, including first aid and necessary subsequent treatment.

(7) Giving health instruction and safety education.

(8) Proper layout of plant and good housekeeping so that workers in one process are not unnecessarily exposed to the hazards of another adjacent process.

(9) Sanitation of plant to prevent the spreading of communicable diseases. This includes adequate and proper toilet facilities, sanitary bubbling fountains, individual towels, spittoons, etc.

7. THE MAINTENANCE OF PHYSICAL FITNESS

Various ways are now known by which fatigue can be reduced without decreasing the output and even in some cases with an increase of it. When fatigue is caused by work inside factories, it is obviously controlled more easily than when caused by the conditions of living of the workers outside.

Introducing recess periods.—One of the common methods of reducing fatigue is by introducing recess or resting periods during a working spell. During such periods, which, in order to be effective, must be obligatory and not discretionary on the part of the workers, they should have an opportunity to rest, relax, move about, and engage in other simple recreation. A little food or a cup of tea or cocoa taken at such a time is often remarkably restorative. A very striking instance of the benefits of resting periods has recently been published. "Two officers at the front recently, for a friendly wager, competed in making equal lengths of a certain trench, each with an

* Taken from Reprint 482, *United States Public Health Service*, pp. 5-11. (Government Printing Office, 1918.)