6/15/54 MEMO
"RELATIONSHIP BETWEEN STAFF DEPARTMENTS AND MANUFACTURING DIVISIONS"

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St. Louis, Missouri
June 15, 1954

TO: Division General Managers
Staff Department Directors

RELATIONSHIP BETWEEN STAFF DEPARTMENTS
AND MANUFACTURING DIVISIONS

1. The function and responsibility of a manufacturing division is the profitable research, engineering, development, manufacture, and sale of its product lines.

2. Staff departments are the company's specialized expert units which are of service and guidance to:

   (a) The top management or corporate level,
   (b) The operating divisions, and
   (c) Other departments.

   Every staff department is functionally responsible to a member of the executive offices for the proper performance of that department's functions. There shall be only so many staff departments as the type and extent of the company's operations may from time to time require. Except as modified below, the existence of any such department shall be justified on the basis that its function and activities can be carried out more efficiently economically, and logically in a centralized set-up than by having responsibility for such activities distributed among the several divisions. On the other hand, an operating division shall be responsible for such activities only where they are of special interest or use to that division.

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3. Where the existence of a operating staff department is justified under the theory stated above, that department shall be responsible for its functions and activities throughout the company, including all divisions. Commensurate with such responsibility, it shall have company-wide authority over those activities. Appropriate personnel employed in its field shall be on its staff and subject to the direction of that staff department. However, staff department personnel assigned to an operating division must be acceptable to the divisional management and conform to divisional practices. The division general manager must have responsibility and authority for setting the "ground rules" for the day-to-day activity of the staff department personnel assigned to his division. He shall also have a veto over such individuals and their activities to insure that they are in keeping with the division's aims, operating policies and practices.

Differences between the staff department director and such division general manager shall be settled by the appropriate functional vice-presidents. The appropriate functional vice-president will also review and approve the company-wide budget for that staff department function for forwarding to the Budget Committee either as a separate budget or as broken down and included in the several divisions' and departments' budgets.

4. Application of the foregoing principles to the present staff departments will result as follows:

Accounting Department

As now constituted, this department has two functions. Through the comptroller, it is responsible to executive management for the corporate account activities; at the same time, it services the divisions and other staff departments with current operating and related statistical data. The director of this department shall therefore have authority over and be responsible for the entire accounting function, both as regards implementation or performance and evaluation. Appropriate accounting personnel in the company, wherever located, shall be on his staff and responsible to him for the satisfactory performance of that function. As previously mentioned, however, such accounting personnel as may be assigned to the operating divisions will be subject to the personnel practices and rules for daily operations as set by the division general manager. Divisional management will also have a veto over the assignment of such accounting personnel to the division,

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over their salaries and their promotions. The functional coordination of such general manager and the head of the Accounting Department, as well as the settlement of any differences between them over accounting matters will be handled by that member of the executive offices who has functional responsibility for finance.

Advertising and Public Relations Department

(1) Advertising

The corporate advertising program, as well as certain related services of this department, serve a general corporate function. Therefore, full authority and responsibility for it shall be lodged in this staff department. However, recognizing that the responsibility for marketing in our divisional-type structure is in the operating divisions and that product advertising is a function of marketing, line responsibility for the implementation of product advertising programs and for the personnel conducting such functions in the divisions shall rest with the divisions. The Advertising Department will be functionally responsible for coordinating and evaluating the divisions' product advertising efforts. This responsibility will include: (a) Recommendation to functional Vice-President--Marketing of approval or disapproval of budgets for product advertising programs; (b) Evaluation for the functional Vice-President--Marketing of such programs and of the quality of the advertising effort by the divisions; (c) Evaluation for the functional Vice-President--Marketing of all advertising personnel; (d) Maintenance of overall company advertising objectives through planning and programming; and (e) Development of overall advertising strategy in consultation with the functional Vice-President--Marketing.

(2) Public Relations

This part of the department's activities is designed to present to the public an accurate and clear picture of the company's activities, policies and character. It is a service function principally for overall management and the total corporate entity, and to a somewhat lesser extent for the operating divisions and other components of the company. Full authority and responsibility for implementation and evaluation of the public relations function, including

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should also be fully understood by the divisional general managers. This department, everything else being equal, shall place orders with suppliers favored by the general managers, but where it becomes of the best interest to the company as a whole to place orders elsewhere, this should be fully reviewed with the general managers. If there is any failure of agreement after such a review, the general managers and the director of the Purchasing Department shall bring the matter before the appropriate functional vice-presidents for a decision.

(2) Traffic

This department shall also be responsible for the movement of both incoming and outgoing materials, supplies and products at the lowest possible transportation cost commensurate with required delivery times. Appropriate personnel working on this function in the manufacturing divisions shall report to the director of this staff department through the general traffic manager

Treasury Department

The activities of this department are largely a service to the top management and corporate aspects of the company, e.g., handling of corporate bank accounts and securities, and tax and insurance matters. It also has an important service function for the operating divisions in its credit activities and to a lesser extent certain banking activities. Full authority and responsibility for these service functions and all its personnel shall be lodged in a central staff department.

5. By thus approaching the line of responsibility between the divisions and the staff departments, we further implement the basic philosophy of the functional vice-presidents in the executive offices, as adopted with the new organization structure. Each of the manufacturing divisions' activities, research, engineering, development, manufacture, and sales, as well as the activities of the staff departments, are functionally responsible to one of the executive officers of the company who will exercise the authorities set forth in the president's memorandum of January 4, 1954 to division general managers and staff department directors entitled "Executive Offices of the Company."

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