

CHESTER IRVING BARNARD
and
THE FUNCTIONS OF THE EXECUTIVE

Part 1 The Time Period: 1930-1940

- A. SOCIAL: Recreation - picnics, jig saw puzzles, barnstorming political rallies; Radio - (songs) - God Bless America, Begin the Bequine - (news) - Edward R. Murrow - (stars) - Canton, Jolson, Burns and Allen; (events) O. Welles's "War of the Worlds." Film - Busby Berkeley Musicals, Marx Brothers, Mae West, Gone with the Wind and Wizard of Oz (1939). Literature - Sinclair Lewis (Nobel); Tobacco Road (1932), Dospassos's "U.S.A."; Steinbeck's "Grapes of Wrath"; Faulkner's "Light in August." Philosophy and Folklore - Will Rogers and Wiley Post.
- B. POLITICAL: Domestic - Last years of Hoover's "Voluntarism," Verterans Administration Act (1930); FDR and the "NEW DEAL" (NRA, WPA, and CCC); 1st Fireside Chat (1933); TVA; Social Security Act (1935); Supreme Court Packing - Hugo Black, Felix Frankfurter, and William O. Douglas (1937); Fair Labor Standards Act 1938 25¢/hour; 40 hour week. Foreign - "Good Neighbor" policy; Spanish Civil War; Rise of Third Reich in Germany; Neutrality Acts of 1935, 36, and 37; Sinking of U.S. Gunboat Panay by Japanese (1937). Munich Conference (1938) fall of Sudetenland and Czech state.
- C. ECONOMIC: Depression - unemployment; Banking Crisis. Rise in activity due to debit pricing and deficit financing - Keynesian Economics. Industry - NIRA; growth in chemicals, petroleum and electrical equipment. Labor - NLRA (Wagner Act 1935) protection to organize; CIO; First sit down strike Chevy Plant 4 (1937). Agriculture - Dust bowl okies, price supports.
- D. TECHNOLOGICAL: Ford produced 20 millionth car (1931); Empire State Building; Cyclotron (1930); Caterpillor tractor developed (1931); Communications - frequency modulation (1934-1939); Nylon (1938)

Part 2 The Man: CHESTER IRVING BARNARD (1886-1961)

A shy but successful executive, a self-made scholar, and an accomplished pianist, Barnard worked his way through Mt. Hermon Academy and Harvard, but left the latter without a degree because he had no patience with college rules. In 1909 he started working for AT&T as a translator and engineer. In 1922 he joined Pennsylvania Bell where he obtained his first experience in general management. In 1927 he became president of N.J. Bell. During the 30's and 40's he served as director of the National Probation Association, Assistant to the Secretary of Treasury, Atomic Energy Commission, President of the National Science Foundation as well as numerous businesses, schools, and hospitals. Throughout his career he received seven honorary doctorates, the President's Medal for Merit, French Legion of honor, among many others. His other publications include some two dozen articles some of which are

published in Organization and Management (1948) and Elementary Conditions of Business Morals (1958).

Part 3 The Work: THE FUNCTIONS OF THE EXECUTIVE

The book is an expansion of some eight lectures given at Lowell Institute in Boston. It is written primarily for social scientists rather than practitioners and represents a sociological treatise of organizations and management. Barnard felt that one of the most important characteristics of social life was the formal organization; furthermore, he stresses that, "...it has long seemed probable that there are universal characteristics of organization." To Barnard the non-economic motives, interest, and processes as well as the economic are fundamental to the behavior of business organizations. The book is divided into two main parts:

- 1) The Theory of Cooperative Organization
- 2) The Functions of Executives in formal Organizations

Part I. COOPERATIVE SYSTEMS

Man is limited by biological psychological and social factors and cooperation is the most effective way of overcoming these limitations, and, therefore, is justified.

- A. Biological limitations can be overcome by adopting a group or "non-personal" objective(s) which involve actions:
 1. to facilitate cooperation - acquiring men, materials, and money
 2. to maintain the cooperative system - by adjusting its purpose to adapt to environmental changes and the uncertainty of the internal managerial processes.
- B. Psycho-Social Factors - behavior with respect to others:
 1. Social Factors operate upon the individual from a cooperative system.
 - a. informal interactions: between individuals and between individuals and groups
 - b. formal:
 1. objects to be manipulated - recruiting them into the system and controlling their behavior.
 2. subject to be satisfied - by fulfilling their motives while achieving system goals.
- C. Principles of Cooperative Action
 1. limitations arise from the total situation
 2. overcoming limitation through goal seeking behavior
 3. effectiveness and efficiency
 4. survival dependent on two processes; those which relate to:
 - a. The system of cooperation as a whole and its relation to the environment.
 - b. The distribution of satisfaction among individuals.

Part II. THEORY AND STRUCTURE OF FORMAL ORGANIZATIONS

According to Barnard, Formal Organization is that kind of cooperation among two or more persons which represents a system of coordinated activities which are conscious, deliberate and purposeful.

- A. Some characteristics of Organizations
 - 1. external forces furnish inputs and limit the action of organizations
 - 2. each organization is a component of a larger system called a cooperative system; the other components being physical, biological, and social systems among others.
 - 3. the organization is not necessarily synergistic but definitely different from its component parts
- B. Usefulness of the Concept of Organization
 - 1. the concept of organization is universal - applicable to a wide range of situations
 - 2. relationships between this concept and other systems can be developed
 - 3. the true test is whether its use will foster effective cooperation among men
 - 4. an organization is born when - persons:
 - a. are able to communicate to each other
 - b. willing to contribute action - to accomplish a common purpose
- C. Survival of the Organization - depends on the equilibrium of internal elements and between the system and its environment.
 - 1. effectiveness - relevance of purpose to the environment and accomplishing that purpose.
 - 2. efficiency - interaction between the organization and its members - satisfying individual motives while attaining organizational goals
- D. Structure of Complex Formal Organizations - consist of services and subsidiary units involving competition of individual contributions. They are subordinate to "superior" organizations (i.e., church or state either directly or indirectly)
 - 1. Components of Formal Organizations
 - a. Unit organization - simple basic form of organization always subordinate to the formal organization and limited in size due to communications, technology, and social relationships.
 - b. Executive organization - units specializing in executive functions
 - 2. Origins of Organization
 - a. spontaneous - for ltd. purpose
 - b. entrepreneurship
 - c. subsidiary; or
 - d. segmentation of larger organization
 - 3. Growth - accomplished by adding new unit organizations.
- E. Informal Organization - the aggregate of personal contacts and interactions and the associated groupings that arise.
 - 1. Purpose -
 - a. establish certain attitudes, understandings, customs, habits, and institutions
 - b. creates conditions under which formal organization may arise
 - 2. Relationship to Formal Organization
 - a. facilitates communication
 - b. maintains cohesiveness within the organization
 - c. strengthens the feeling of personal integrity

Part III ELEMENTS OF FORMAL ORGANIZATIONS

- A. Specialization - and Organization are synonyms.
1. Two types:
 - a. Division of work - connotes a social setting; and
 - b. Functionalization - a particular kind of work
 2. Bases of specialization
 - a. place
 - b. time
 - c. persons
 - d. things
 - e. methods - involved in the work to be done
 3. Each unit organization is a specialization
 4. General propositions regarding specialization
 - a. effectiveness of the cooperative system depends almost entirely on innovations of specializations
 - b. the primary purpose of specialization is providing the means-end chain to achieve objectives
- B. Incentives: "The contribution of personal efforts which constitute the energies of organization are yielded by individuals because of incentives."
1. Effective incentives are based on either:
 - a. finding positive incentives, or
 - b. reducing negative incentives
 2. Types of Incentives: Determine the right combination of:
 - a. Specific - those offered to the individual:
 1. material inducements
 2. personal opportunities
 3. good work
 4. ideal benefaction - the organization's ability to satisfy personal ideals
 - b. General - cannot be specifically offered:
 1. good social relations
 2. adaptively conditions to habits
 3. enlarged participation
 4. conditions of communion - comfort in social relations
- C. Acceptance Theory of Authority - "If a directive communication is accepted by one to whom it is addressed, its authority for him is confirmed or establisheddisobedience of such a communication is a denial of its authority for him."
1. Definition - authority is the character of a communication (order) in a formal organization by virtue of which it is accepted by a contributor to or 'member' of the organization as governing the action he contributes..."
 2. Two aspects to authority:
 - a. subjective - the personal accepting of a communication as authoritative
 - b. objective aspect - the character in the communication by virtue of which it is accepted.
 3. Authority is contingent upon:
 - a. cooperative personal attitude of individuals
 - b. the system of communications in the organization which
 1. should be known
 2. extend to every member
 3. direct
 4. follow the chain of command

5. include competent centers of communication
6. should not be interrupted while organization is functioning and
7. involves only authenticated communication
4. Conditions for the Acceptance of Authority: based on communications which:
 - a. are clearly understood
 - b. are not perceived as inconsistent with organizational goals
 - c. are compatible with the individual's personal interest
 - d. one is physically and mentally able to comply with
5. Acceptance Theory Successful when
 - a. orders issued comply with 4 above conditions
 - b. "Zone of Indifference" certain orders are unquestionably acceptable
 - c. interest of organization members as a group exercise influence on the subject matter of orders
- D. Environment of Decision - serves to reduce external uncertainty.
 1. Definition - Decision - a deliberate choice of means to accomplish ends.
 2. Types of Decisions
 - a. Personal - decide whether to contribute
 - b. Organizational - decision made in relation to its effect on goals:
 1. can be delegated and
 2. carried out by several people
 3. Occasion for a decision can come from:
 - a. authoritative communication from superiors
 - b. cases referred to by subordinates
 - c. executive initiative
 4. Evidence of decision can only be inferred from results - little observable behavior.
- E. Theory of Opportunism - relates to the means and conditions of attaining ends.
 1. Search for a strategic factor
 2. Effective decision - the exercise of control at the right time, place, in the right amount and form to accomplish the purpose.

Part IV THE FUNCTIONS OF ORGANIZATIONS

Barnard was interested in capturing the essence of executive work and not merely in presenting laundry lists of duties performed.

- A. The Executive Functions - the specialized work of maintaining systems of cooperative effort; it is not to "manage" the organization, for it does that itself. The executives function, therefore, is:
 1. to provide a system of communication
 - a. obtaining the executive personnel to serve as "centers" of communication
 - b. develop the scheme of the organization
 2. to promote the securing of essential efforts
 - a. recruit persons into cooperative relationships
 - b. elicit services from people via persuasion
 3. to formulate and define purpose - through vertical coordination of the executive organization

- B. The Executive Process - "...the essential aspect of the process is the sensing of the organization as a whole and the total situation relevant to it."
1. Effectiveness - appropriateness of means to achieve objectives
 2. Efficiency -
 - a. efficiency of detail - control of output and income at point of exchange
 - b. "creative economy of the whole" - the securing of the appropriate combination of elements of the organization
- C. Executive Responsibility - "...is that capacity of leadership by which, reflecting attitudes, ideals, hopes, derived largely from without themselves, they are compelled to bind the wills of men to the accomplishment of purpose beyond their immediate ends...."
1. Leadership is a, "...relatively high personal capacity for both technological attainments and moral complexity, combined with propensity for consistency in conformance to moral factors of the individual."
 - a. local individual superiority - skill, knowledge, physical
 - b. general - responsibility - "...the quality which gives dependability and determination to human conduct, and foresight and ideality to purpose."
 2. Executive positions imply:
 - a. a complex morality;
 - b. a greater sense of responsibility; under
 - c. conditions of activity - necessitating
 - d. commensurate general and specific technical abilities as a moral factor; and in addition,
 - e. the creation of morals for others (morale), standards of workmanship, and establishing a judicial process.

CONCLUSION

Barnard indicates that there is much literature on the specific techniques of management but too little has been written regarding the organization and techniques that are appropriate to it. He hopes his work will contribute to correct this imbalance, for it is his feeling that a scientific approach to problems of human interaction and organizations provide a useful tool for the "executive art."

Comments

Critique - Barnard's book makes quite difficult reading and is a radical departure from the works on management up to that time. His work represents one of the first attempts to identify characteristics of organizations rather than tasks within the organization. His analysis of executives functions is unique, for rather than concentrating on tasks, he focuses on the intangible forces at work within the manager and in his interactions with others. There are common threads throughout the work like the concepts of cooperative system and effectiveness and efficiency which are occasionally reiterated too frequently, yet his explanation of cooperative systems as distinguished from organizations is elusive. The title of the

book is a misnomer, for it primarily focuses on the organization rather than the executive.

Bridge to the future - Barnard's work represents a bridge between the traditional theories of management and the human relations and organizational approaches. He was heavily influenced by sociologists Ehrlick Eugene, and Talcott Parsons, psychologist J. F. Brown and K. Koffka as well as economists Vilfredo Pareta and John R. Commons. Like his contemporary M. P. Follett, Barnard viewed the organization as a psychosocial system emphasizing the importance of human interaction, specifically communications. He was well ahead of his time in applying the "systems" concept to organization and considering the environmental influences on the internal interactions. He also exhibits an early understanding of the complexities of motivation with the use of positive and negative reinforcers, and that such reinforcers are both material and non-material in nature. He was the first to recognize that authority is based on a two-way interaction between the superior and subordinate. He is a predecessor of the future, for he was one of the sparks that ignited a plethora of studies in the development of a theory of organizations and the importance of the role of the informal organization within this frame work both of which are deemed to be fundamental aspects of current management theory.

Major Contributions -

1. viewed the organization as a social system
2. one of first to recognize the nature and importance of the informal organization
3. acceptance theory of authority
4. stressed the importance of communication in the managers role, and
5. called for the development of organization theory.