

## The Case of the Misdirected Directive\*

The Dashman Company was a large concern making many types of equipment for the armed forces of the United States. It had over 20 plants, located in the central part of the country, whose purchasing procedures had never been completely coordinated. In fact, the head office of the company had encouraged each of the plant managers to operate with their staffs as separate independent units in most matters. Late in 1940, when it began to appear that the company would face increasing difficulty in securing certain essential raw materials, Mr. Manson, the company's president, appointed an experienced purchasing executive, Mr. Post, as vice president in charge of purchasing, a position especially created for him. Mr. Manson gave Mr. Post wide latitude in organizing his job, and he assigned Mr. Larson as Mr. Post's assistant. Mr. Larson had served the company in a variety of capacities for many years, and knew most of the plant executives personally. Mr. Post's appointment was announced through the formal channels usual in the company, including a notice in the newsletter published by the company.

One of Mr. Post's first decisions was to begin immediately to centralize the company's purchasing procedure. As a first step he decided that he would require each of the executives who handled purchasing in the individual plants to clear with the head office all purchase contracts which they made in excess of \$10,000. He felt that if the head office was to do any coordinating in a way that would be helpful to each plant and to the company as a whole, he must be notified that the contracts were being prepared at least a week before they were to be signed. He talked his proposal over with Mr. Manson, who presented it to his board of directors. They approved the plan.

Although the company made purchases throughout the year, the beginning of its peak buying season was only three weeks away at the time this new plan was adopted. Mr. Post prepared a letter to be sent to the 20 purchasing executives of the company. The letter follows.

Dear \_\_\_\_\_:

*The board of directors of our company has recently authorized a change in our purchasing procedures. Hereafter each of the purchasing executives in the several plants of the company will notify the vice president in charge of purchasing of all contracts in excess of \$10,000 which they are negotiating at least a week in advance of the date on which they are to be signed.*

*I am sure that you will understand that this step is necessary to coordinate the purchasing requirements of the company in these times when we are facing increasing difficulty in securing essential supplies. This procedure should give us in the central office the information we need to see that each plant secures the optimum supply of materials. In this way the interests of each plant and of the company as a whole will best be served.*

*Yours very truly,*

Mr. Post showed the letter to Mr. Larson and invited his comments. Mr. Larson thought the letter an excellent one, but suggested that, since Mr. Post had not met more than a few of the purchasing executives, he might like to visit all of them and take the matter up with each of them personally. Mr. Post dismissed the idea at once because, as he said, he had so many things to do at the head office that he could not get away for a trip. Consequently he had the letters sent out over his signature.

During the following weeks replies came from all except a few plants. Although a few executives wrote at greater length, the following reply was typical:

*Dear Mr. Post:*

*Your recent communication in regard to notifying the head office a week in advance of our intention to sign contracts has been received. This suggestion seems a most practical one. We want to assure you that you can count on our cooperation.*

*Yours very truly,*

During the next six weeks the head office received no notices from any plant that contracts were being negotiated. Executives in other departments who made frequent trips to the plants reported that the plants were busy, and the usual routines for that time of year were being followed.

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