

forecast is put forward as a "requisition" on top management.

Third, a staff review is made of this resource request to ensure that it conforms to the previous agreement on tasks and that it is efficient; i.e., that it contemplates using no more resources than absolutely necessary for the jobs to be done.

Fourth, top management examines the sum of these resource requisitions, usually finds that it exceeds what they have available, and proceeds to examine the individual submissions to determine where the saving will be made. This is the most difficult task. If choices were between good and bad it would be easy. But, when the choice must be which of all the good things one can afford, it becomes more difficult. The judgements of top management at this point results in a cutback in the resources of selected managers and instructions are issued to these managers as to the tasks they should discontinue because of the cutback.

What emerges from these top management deliberations is a plan of action for the new year expressed in the form of a budget. Each operating manager has an approved budget and an approved set of goals.

Finally, when the new year begins the operating manager is free to operate autonomously provided only that

(a) he stays within budget and

(b) he achieves his goals.

The central management intervenes only in the event that one of these conditions is not met. The operating manager refers to central authority only if factors appear that make it impossible for him to fulfill both conditions.