

Victor W. Sincere, President of the National Department Stores, Inc., informs us that "there has been an increase in the cost of operation (of department stores) . . . from 1920 up to the present time of from 27.2 per cent to 30.4 per cent. This increase, coupled with the fact that the gross profit mark-up on merchandise has declined a fraction of a per cent, and at the same time the mark-down or reductions of merchandise have been constantly on the increase due to closer competition, has compelled the retailer to adopt a more scientific method of operation to secure a profit . . . the real reason for the present buying methods . . ."

IN other words, just as under pressure of necessity in an earlier period manufacturing was compelled to discover, or devise, and to adopt scientific management, likewise under pressure of necessity during this more recent period retail merchandising has been compelled to adopt and adapt the same principles and practices of management. The technique of fabrication had out-stripped the technique of distribution; now the technique of retail distribution has caught up or nearly caught up with that of production, with such far-reaching consequences as to raise new problems—and possibly the necessity of new policies and new elements of technique—in fabrication, manufacturers' distribution and jobbers' distribution.

PROVIDED, of course, that the current buying habit of the retailer continues. The retailer gets his cue from consumer buying habits, and from this cue, constructs a policy modified by his judgment of the permanence of consumer habits and the possibilities of his own managerial technique. It is impossible to prove, or even to forecast, what will be the conditions ten, fifteen or twenty years hence; but it is the empirical judgments of the thirty-nine contributors to The Farmers Loan and Trust pamphlet that, in the conservative words of Professor Taussig, "the changes in the practices of retailers and other distributors seem to me due partly to temporary causes, partly to permanent . . . my guess is that the permanent causes will prevent large-order buying from being as considerable as it once was, and will make hand-to-mouth buying more common and representative." No matter what reversion to old habits there may be in 1935 or 1940, manufacturers and jobbers would be wise to reexamine their policies and methods now, and determine what modifications are essential to survival during the next ten years.

WHAT, from our perspective of today, appear to be the consequences of the habit of current, small-order buying, and what influence is it likely to have on policy and on methods of the manufacturer and the jobber? We cannot give the answer, but we can break these major questions into secondary questions which, when we get together at the December meeting, we can discuss at a session to be arranged for that purpose.

It seems to be generally agreed that the principal consequence will be to transfer from the retailer to the manufacturer (and perhaps in some instances to the jobber) the risk of large investment, in available stocks. Consequent upon this, the manufacturer will have to meet the major problem of high costs of interest, depreciation and processing, by lines, and the retailer will have to meet the major problem of avoidance of shortages of stock, by lines. From the point of view of industrial organization, may this not bring about new integrations, for purposes of distribution, such as, on the one hand, between manufacturer, manufacturer's branch (with warehouse) and retailer, or, on the other hand, between manufacturer, jobber and retailer?

May not such an integration with its community of interest compel the development of a radically new technique of inter-firm operation, similar to, in fact identical with, scientific management inter-departmental operation, for the purpose of avoiding the manufacturer's and the retailer's risks to which we have referred; a technique involving precise joint control with its mechanisms of joint forecasting; joint budgeting, joint apportionment of stocks, and joint standardization of staples and of handling non-staples?

From the point of view of the manufacturer may not this situation put him more squarely on a straight conversion basis and compel a more scientific management of processing than any of which he has yet dreamed; a more precise control all along the line, from planning and purchasing through the sequence of processes to packing and delivering? Will he not be faced with the problem of handling repetitive orders for relatively small quantities per order without sacrificing the advantages he has secured in developing large scale production and without increasing costs?

There is strong probability that many enterprises which have in the past manifested indifference to scientific management will come to acknowledge that after all that form of management offers the only means of solving these problems.

## "Top Control"<sup>1</sup>

### Ways and Means of Making Managerial Policies Effective

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I DO not like the wording of the topic assigned to me—the connotations are psychologically bad. Yet I must confess that I have searched in vain for a more suitable short-cut expression to make unnecessary the use of some ponderous phrase which would in advance kill interest in the subject. Therefore let us go ahead with understanding that "top" connotes general administrative responsibility as distinguished from responsibility for details, and "control" connotes observance of the law of the situation established by policies which have been adopted. *Top control refers to the policies of the administration, its means of making them effective and its means of judging their effectiveness.*

Under this interpretation it will obviously be difficult to consider the control function separate from the personalities of the executives and the environment in which control is exercised; and I do not know that I shall try to do so, because the same methods in different hands and under different environments bring different results, and in effect become different methods. This is the crux of much of the misunderstanding of scientific management, and is the cause of much of the controversy with reference to human relations not only in business but in all branches of life as well.

Although undoubtedly there is a one best way for a particular person under particular conditions, there is no one best way applicable to all people under all conditions. That we may better understand the complexity of top control, I am first going to consider some of the conditions under which it may be called upon to function. There are to be considered: the character and size of the enterprise; the background and personality of the chief executive; the present practices and the state of the art of the enterprise; and the environment under which the control must function.

<sup>1</sup>Abstract of an address at a meeting of the Eastern Massachusetts Section of the Taylor Society, with the cooperation of the parent society, Cambridge, Mass., May 7, 1926.

#### The Character and Size of the Enterprise

Various characteristics and differences in size affect the type of control best suited to a situation. Manufacturing needs the maximum of standardization and mechanism, with personality a lesser factor. Merchandising or service operations reverse the situation. You cannot standardize them to any considerable extent, and you cannot make them mechanistic. The outstanding things in merchandising and service are personality and expediency.

In manufacturing, a jobbing business, such as printing or general contracting, offers the most difficult situation. Here is a maximum of complexity and need for constant supervision. Less personality and more standardization and mechanism are required in a repetitive plant, such as a shoe factory where the same thing is done over and over again. In a repetitive plant it pays to spend almost unlimited money to perfect any one phase of an operation. With an operation going into millions and millions of repetitions, a microscopic saving becomes very important. These repetitive operations offer opportunity for motion picture analysis and all sorts of intensive studies that would be fantastically extravagant in a jobbing plant.

A business may involve continuous processing such as milling. This offers the same problem as in the repetitive plant. The first time it is set up it is something new and justifies efforts for perfection in detail. But once set going, a continuous process becomes largely a question of inspection. Of course there must be constant research and study to keep abreast of the times, but so far as control of the plant is concerned, it is largely a matter of inspection and records.

Manufacturing then includes a variety of conditions requiring different methods of top control.

Another important factor is the number of executives involved. By executive I mean someone whose decisions and acts may have an indirect effect upon others than those working immediately under him.