

objecting to such a procedure. We feel that any company that must meet such situations in order to survive should drop that product and look for others, because sooner or later it will have to go out of business.

A sensible way to set prices is by the fourth method. (Figure 4). This method calls for obtaining the true cost at various volumes. Let us assume that we have an opportunity to bid on a quarter of a million of additional business which would increase our volume 20 per cent. The estimator takes these varying budgets and finds what the cost rates in the various departments will be at 20 per cent additional volume. He then figures the same as he would today, only substituting the different cost rates. In that way he obtains the true estimate of what the cost should be at those volumes. Therefore, any business taken at this cost is certainly not going to lead us into bankruptcy.

Before we leave this subject, it should be mentioned that a profit must be added to the cost at various volumes in setting final contract price. The same dangers as those previously mentioned, involved in taking on business below cost, are present here. Many a company has taken what it calls a volume account at what appears to be a great saving in overhead, only to find that the customer is such a nuisance and makes such unheard-of demands, that additional overhead must be employed merely to meet these demands. We, therefore, strongly urge anyone using varying budgets at

different volumes to adopt a percentage of margin, or profit, above this cost in setting a minimum or base price. A sales department must not go below this figure except on the permission of the highest authority.

In explaining this subject of adequate accounting for distribution costs, we have refrained from giving you a definite system or method which would be a panacea, for all distribution ills.

To repeat, we believe the only way to control distribution costs and sales prices is through control of the individuals who create that distribution cost and who finally set the price. This, as we have attempted to show, comes about by comparing salesman with salesman, customer with customer, on a profit and loss by classification basis. Our method is briefly one of interpolation. If we have three salesmen calling on about the same class of business, one at a selling expense of 10 per cent, another of 20 per cent and a third of 30 per cent, we have some facts about which to talk to the last two salesmen. If at the same time we have an average profit from each class of trade, and one salesman who is selling mostly to that class of trade does not contribute that average profit, we have another fact on which to base our discussion with him. All we do is to interpolate between these various sets of facts. In this manner we bring about a control and lowering of distribution costs along with a raising of profit margins that those in business may expect.

### Spring Meeting of the Taylor Society

Columbus, O. — May 1 and 2

#### Tentative Plan

##### Thursday forenoon: *General Session.*

Theme: Setting the Task for the Business; general consideration of forecasting, market analysis, budgeting and analytic reports for chief executive.

Thursday afternoon: *Simultaneous Major Group Sessions.* (1) Sales Group: the major sales problems of 1930. (2) Productive Group: basic conditions of effective utilization of facilities.

Thursday evening: *Address:* Subject of general interest.

Friday forenoon: *Simultaneous Small Group Sessions:* (1) Time Study; (2) Managing Hand-to-Mouth Selling; (3) Functional Organization of Executive Responsibility.

Friday afternoon: *Simultaneous Small Group Sessions:* (1) Maintenance of Materials and Equipment Standards; (2) Developing New Items and Channels; (3) Measuring and Rating Management.

Friday evening: *Address:* Subject of general interest.

### Fifth International Management Congress

Paris, June 19-23, 1929



HENRI LE CHATELIER



DISTINGUISHED SERVICE MEDAL

At the Fifth International Management Congress, held in Paris June 19 to 23, 1929, the International Committee on International Management Congresses made the first award of its medal for distinguished service in promoting the science of management. The recipient was Henri Le Chatelier, distinguished engineer, member of the Academy, professor of chemistry in the Sorbonne, recipient of the Bessemer Medal, honorary member of the Taylor Society, honorary member of the American Society of Mechanical Engineers, director of the *Revue de Métallurgie*.

Henri Le Chatelier introduced scientific management to Europe. At the Paris exposition of 1900 he was much impressed by the Taylor-White high-speed tools in the exhibit of the Bethlehem Steel Company. This interest led to contact with Taylor and scientific management, articles in the *Revue de Métallurgie*, and arrangements for the translation of the "Principles of Scientific Management," for which Le Chatelier wrote an important introduction.