that the greatest wastes are incurred by using as the basis of the analyses women of my uncertain age, who only count as a take-up for yesterday's merchandise. A very great economy could be effected by studying the market of tomorrow, which consists of the early or late adolescent youngsters who are still in school. To any of you who are concerned with market studies I would strongly commend an intensive study of the younger women. It has been said here today that the volume of sales of misses' dresses has increased under the change in style, and the volume of sales of older women's dresses has declined. Do not worry—the older woman will follow the younger one by and by! We have bobbed our hair and we shall change our silhouette. Study the young market!

O. Fred. Rost.[9] What I get out of Mr. Milner's talk is that mere combination of physical assets does not mean a successful consolidation. We have to add brains to the combination. If we go back over the records of those mergers where brains were not added and where some of the brains that had made up the separate units of the merger were released, we find that these brains went out and started new business enterprises of their own, with very interesting results. In many cases, instead of a monopolistic set-up resulting from the merger, new and often very effective competition was created. This is particularly true in one or two industries.

I know of one case where a large merger involved eight or nine factories in the electrical line. Within a year three individuals who had been released by the formation of the merger had gone into business for themselves. They went to the distributors, because they knew the principals, and secured distribution which increased the volume of their own business so rapidly that it became an actual factor in the total business of the merged concern. They are now facing the problem of either buying out more companies or changing to some other line of manufacture. The sales organizations of these small companies have been able to affect their total volume of business seriously.

In the distribution field, I know of a case of a national chain of wholesalers in which the removal of the individual element in the local distributing units has been so serious that three new distributing houses have been started—in a city not far from here—and all of them have been operating very successfully for a period of three years. One of the principals told me about a month ago that his earnings during the last year were more than twice the salary he had ever received while working for one of the consolidated houses.

If we keep in mind that distribution expense is not going to be reduced unless the consolidation involves at least the brains that made the separate units possible, I think we are going to save ourselves a lot of trouble, in case we are ever engaged in plans for a merger.

A. Irving Schweitzer.[10] I have been very much interested in retail mergers. I have found that when certain stores were brought together in a combination, in my opinion, so much was paid in cash to the owner of each store in the group, and so much for rents and for salaries to the heads of the different departments, that they had very little left for selling salaries, for advertising and for clerical help. Yet they wondered what was wrong with the business. There should be a prompt pre-distribution of expense and every purchase and salary expense should be within the budget of the merger.

[9]Director, McGraw-Hill Publishing Co., New York.

[10]Business Reporters Bureau, New York.

SPRING MEETING

May 1 and 2—Columbus, Ohio

(See program on page 106)

Men — Not Things[1]

To What Extent Can Large Groups Be Organized and Managed to Realize the Abilities, Capacities and Energetic Efforts of an Individual as Though He Were in a Small Business of His Own?

By **MALCOLM C. RORTY**

Vice-President, International Telephone & Telegraph Corporation, New York

IN ASKING me to appear before you this evening, Dr. Person indicated that the question to be discussed would be "How should large groups be organized and managed to secure the ability, capacity and energetic effort of each individual as though he were in a small business of his own?"

Now it is one of the established conventions in connection with the writing of a paper for an occasion of this kind that the document shall be given a title—and I respectfully submit to you that the preceding question is not only too long, but also too specific and restricted, to be used as a caption. One of the things that even an amateur speechmaker learns early in the game is to choose titles for his speeches that are loose and easy fitting, and that allow him adequate elbow room for occasional wanderings from the main line of his argument.

With the preceding considerations in mind, I have adopted for this paper the title "Men—Not Things"—for such a title represents, I believe, in a broad way, Dr. Person's thought, and the thought of your directors, that the most vital present problem of business organization is to adapt industry to the uses and needs of men, and not men to the needs and uses of industry.

The Growing Importance of the Problem

This problem of the humanizing of industry is a growing one. A very significant result of recent improvements in the science of management appears to be an increasing ability to secure from large units, or "chains," an approach to that efficiency of individual workers that a few years ago could be secured only in the small organization working under the direct supervision of a competent employer-owner.

Under the older types of organization, in which methods of management were relatively undeveloped, each business or industry tended to have its growth limited at a definite stage, beyond which any further increase in the scale of operations ordinarily resulted in decreased efficiency. This limiting size was determined in each case by the point at which a growing inefficiency of personnel tended to neutralize further gains in the efficiency of processes and of purchasing and distribution. A few industries, such as the steel industry, showed continuing gains in process efficiency, with increases in the scale of operations, such as very completely to offset losses in personnel efficiency. These industries could be expanded almost without limit. In addition, the necessities of the railroads, and of the public utilities in general, required expansion into very large units without direct regard to minor losses in the efficiency of personnel. Such special cases were, nevertheless, the exceptions rather than the rule, and the great majority of businesses and industries found themselves limited, by considerations of over-all efficiency, to units of very moderate size.

As opposed to these older conditions, the new industrial organizations are in a condition of rapid flux. Recent developments in management methods, and in accounting and statistical control, are breaking down the former economic limitations as to the size of the individual organization or "chain," with the result that practically all types of business and industry are now beginning to be open to efficient large-scale corporate operation. If this tendency persists, it may represent a fundamental economic and social change having very far-reaching consequences. The field of operations open to the independent owner-manager may be steadily restricted, and the young man of capacity and intelligence may have to look forward, more than ever before, to a career in which, except for some rare combination of good fortune and adaptability to

[1]Paper presented before a meeting of the Taylor Society, New York, Friday, December 6, 1929.