

finesse in handling an organization, not by giving orders and commands—I think that is seldom necessary—but by delicacy of touch on the reins—suggestion and inspiration; something of that sort, if you please. You can find plenty of instances in which the chief executive has delicacy of touch or not.

#### *The Value of Perspective*

There are many things which enter into the capacity of a chief executive to direct an enterprise and guide the associated executives. Not the least of these is the ability to take a detached point of view. The chief executive must not make the mistake of always standing at the wheel. In the medium-sized plant which we have in mind he should be able to do that in time of emergency, but at other times he should be free from details. He should be able to study his business from the mountain peak, in perspective; he should be a student, not merely of his own business, his own product or his own market, but from the point of view of the industry to which his business belongs, general market conditions, general financial conditions, the economic conditions of the country, the conditions and tendencies of business the world over. Of course, it is necessary to meet the payrolls today and tomorrow, but the chief executive who is thinking in terms of years ahead is he who can make the quick and sound decisions today. The chief executive should have imagination and build a picture of the future; the development of his business, the plant, the organization, its personnel. He should construct a drama of the future in his mind, peopling it with personalities and achievements; a drama always changing in the light of new information and new ideals. But although the drama may be a changing one, at any moment it stands as a definite plan in accordance with which the decisions of the moment may be made; and the more wisely because there is such a plan in the background of the chief executive's mind. It is sometimes surprising to a staff how a chief executive can give a quick and accurate decision, even before a proposition is completely stated; but it is because he has dreamed his dream, has his plan for the future, and can instantly relate the particular problem to it.

But the chief executive cannot do that if he is overwhelmed with correspondence and other routine work. It is essential that he shall have opportunity for detachment; shall keep a generous margin of safety for studying his business in perspective, for long-run policies and plans; a generous margin of safety against fatigue

and exhaustion of energy—the fatigued mind is the timid mind. There are times when the executives must be called together to consider problems which seem almost insurmountable. If the chief executive cannot carry into such a conference vision and a vast range of information got from outside contacts, reading, thinking and observation, a fresh and agile mind, an optimism, enthusiasm and inspiration which he can pass along to others and inspire them to pass along throughout their departments, then he is deficient in his responsibility. I hold to the theory that executive capacity is something more than an intellectual quality. I believe that the years in which I have done my least effective work are the years in which I have permitted myself to become too much occupied with routine, and the years which have counted most have been the years when I have spent part of my time upon the mountain height studying my business and business in general in perspective. And it is a duty of the chief executive to inspire each of his associates to maintain the same margin for study of his responsibility in the large, and the same margin for health and a clear mind.

Imagine the responsibility of the sales executive in these times. When the men come in from the field, discouraged, dejected, having lost confidence in their house, their product, and believing that competitors are having everything their own way, then it is the responsibility of the sales management to bring to the problem that optimism, that buoyancy, that bright eye and pleasant smile and those keen and encouraging words which will bring to his men an inspiration which will send them back into the field with enthusiasm and with the certainty that they are riding on the top of the world.

That is possible only if the chief executive and all executives—major and junior—preserve a generous margin for the healthy mind in a healthy body.

#### *Coordination of Functions*

We are considering the responsibilities of the chief executive from the point of view of the moderate-sized manufacturing enterprise, and in such an enterprise he himself must be responsible for the coordination of functions. Therefore, he must know the departments and how they operate; he must know their problems and methods, and guide them in working together precisely and without friction to the accomplishment of a common purpose. In time of storm he must be prepared to take the wheel. And he must know what he is doing when he takes the wheel.

#### *Production*

We have had a production problem, all of us. During the past decade, and particularly during the war, stress was laid on the production problem—the increase of output per unit of floor space, per machine, per capita. Tremendous work has been done in increasing output and in lowering costs, and the members of this Society have been perhaps foremost in these accomplishments. I have heard many men, some of whom are pretty close students of scientific management, say during the long period of rising prices and active business: "Yes, scientific management is fine on production; you build up a big planning and supervising organization and get results; but wait until the time of falling prices and decreased demand!" And I confess that during the small dips which appeared during the period of general rising prices, I was a bit uncertain, and my confidence in scientific management was not unshaken. But I can bear witness tonight, from actual experience, that without scientific management we would not have been able so securely to meet the decline in prices and in business which we have had to meet during the past year; that without the greater knowledge and greater control which scientific management has given, we would not have been able, in the concerns in which I am interested, to get production down to match demand, to reduce business to fifty-five and sixty-five per cent of normal, and still make both ends meet. It has interested me to observe the greater precision with which scientific management has enabled us to meet the situation; for instance, to see the ratio of sales to inventory change from 2 to 1 a few years ago to 4.5 to 1 after the Armistice, and then when greater pressure came on, to 7.5 to 1, a thing which we would have thought impossible a few years ago. I am glad to have been able, on purely selfish grounds, to demonstrate what scientific management can do with falling prices, a falling market and a falling production.

Our manufacturing problem today is not the problem of guiding increased production, but the problem of guiding decreased production. Students of our capacity tell us that we have a thirty or thirty-five per cent over-equipment in this country. They have said that in the past a seventeen per cent reduction in demand has been sufficient to cause an industrial panic. Our production problem is to adjust ourselves to the demand—only temporarily lowered, let us hope—without an industrial panic. The more precise the production control, the easier are such adjustments.

#### *Sales*

There are a few real merchants in industry today. Practically every enterprise has its sales manager, but so far as I can see, skill in merchandising, a science of merchandising, is very little known in industry. There has been a lot of literature on selling, but we still have much to learn. There are industries which have not learned merchandising at all. I heard one of the closest students of marketing say, a short time ago, that two industries had never learned how to merchandise their products—the textile and the paper industries. I happen to be interested in both, and I think he is right. So far as it has been my fortune to observe, the textile industry in this country does not know how to merchandise. In that industry success or failure today may rest upon the ability to merchandise.

The emphasis is now upon selling. How can we build up business? There are three essentials to selling: knowing your product, knowing the market and knowing the trade channels. The problem of the sales executive backed by the chief executive today is, on the basis of these three essentials, to create new markets. To guide and sustain the sales executive, the chief executive should know as much about merchandising as the latter, and should now focus his attention upon the latter's problem. He has got to help the sales executive master the situation in one of three ways: find a new market for the product, modify the product to meet the requirements of an existing market, or develop a new product to meet the requirements of an existing market. For instance, take the great manufacturers of yeast. Home baking has declined, and the yeast business was faced with disaster. But yeast has been developed as a food in itself, and, if one can trust the advertisements, it furnishes that one thing necessary to our existence of which we have never had enough before! As the result of an enormous production and supply of Gillette razors, the manufacturers were faced with the problem of what to do to keep the plant busy. They modified their product and created a new market; every possessor of a Gillette razor came to believe that he must have the latest improvements, and the sales of that company increased more than ever before in their experience. Consider the cereal business; most of the large manufacturers were in distress because of the deflation in value of wheat and other cereals. A little concern in my town attacked the problem and as a result has had a remarkable experience. They developed a fruit-nut-cereal, and every-