

body around there is now eating fruit, nuts and cereal in the same dish every morning. They met the situation by studying the market and modifying their product. What did the grape growers do when faced with disaster? They found a new market, and it is astonishing how the only way you can get iron into your backbone is by eating Sun Maid raisins! A bit of a hole in the wall with a counter no longer than this table, in one of the business streets of Boston, is said to be selling three or four cases a day; and one cannot go anywhere, from a newspaper stand to a cigar store or a drug store, without observing people paying good money to get iron into their systems!

Never have the sales manager and the chief executive been faced with the problem of selling their products, as they are today. It has become a problem of real merchandising; knowing your products and your competitor's products; knowing the market and the trade channels. The salesmen of one of the concerns in which I am interested have been reporting for fifteen years that in one item we were doing sixty-five to seventy-five per cent of the business of the country. And we all believed it! But as a result of some recent critical sales research we have discovered that for the year 1921, when we had the largest output in our history, we were doing only thirty-eight per cent of the business of the country. While that was disappointing to some of the organization, it was particularly heartening to me; I saw a sixty-two per cent mark to shoot at instead of a thirty-five per cent mark.

You cannot secure a control of sales until you have real merchandising; until you know what each department can do and at what cost, and what each market and each section of a market can take, all with respect to each product. Then you can develop quotas; then you can make budgets of sales and production; then you can develop budgetary and financial control.

Finance and Accounts

The chief executive must be free from detail, but he must know constantly the details of progress and accomplishment. Information must come to him, so organized, pre-digested and interpreted as to give him a picture of conditions. That makes finance and accounts one of the most important functions of an enterprise.

Mr. Charles G. DuBois, president of the Western Electric Company, who came to his position through the accounting-comptroller line and who practically established in American industry the importance and

technique of that function, was once asked why, with so many interesting functions and opportunities in Western Electric, he chose accounting. He replied, "Because there was no competition in that line." Finance and accounting, and the work of the comptroller, represent a side of management which in the past has received too little consideration and has been valued at too low a figure.

What is needed for the shaping of policies and an intelligent control in an enterprise? First, a balance sheet and income-expense report. Some executives are satisfied with such a report once a year; some require it every half year or every quarter. I do not feel comfortable if I do not have one every four weeks, and the accountant has to get his statement in promptly at the close of each four-week period. This gives a cross-section of the business thirteen times a year; but that is not enough! Some executives seem to think that a balance sheet and income-expense statement is sufficient. But there are other not less important statements which should come regularly to the chief executive. He should have regularly a balance sheet and profit and loss statement (so to speak) on every product and every market—such as unit costs and sales for each product and sales by territories and products. He should have weekly a summary of cash tendencies. The sales manager, the production manager, each executive should have similar reports covering his respective interests. There can be no strategy of merchandising and production for the chief executive, and no tactics for the departmental executives, without the information and control yielded by such reports.

The banks have always centered their attention on the conventional balance sheet and income-expense account, and some of them are coming to give more attention to other information—ratios of balance sheet items and other data indicating tendencies, for various industries. The value of this has been emphasized in recent articles published by Alexander Wall. It has interested me to note that the credit vice-presidents of some of the big banks have begun to realize that they have been giving and refusing credit without adequate information, without knowledge of what they were really doing; sometimes withholding credit and causing bankruptcies at a time when they should have had the confidence and courage to see the concerns through their difficulties. Every business, including the small business, should have the comptroller function developed, even if there is no executive with the title of

comptroller. Some months ago I suggested to the Managing Director that this Society, as a phase of truly scientific management, give attention to finance and accounts, especially financial and statistical control, and I am glad that at the December meeting and again at this meeting there have been papers on that subject.

It has been said that the sales manager should be an optimist. Possibly the comptroller would be classified as a pessimist. At any rate, the other executives are inclined to consider a good comptroller a kill-joy, the gloom-artist of executive committee meetings. The others may point to a big volume of sales, to low production costs, and begin to talk of new plants and equipment and other enormous expenditures, as during 1920; and then the comptroller speaks up: "No, gentlemen; here's your tendency and here's where you're going to arrive next year; instead of expansion its going to be retrenchment"; and he proceeds to kill that vote for a new plant or the investment in a new sales territory. It is a great comfort to a chief executive to know that there is a man on the comptroller's job, surrounded by figures which pour in on him from all sides, digesting and interpreting them, ascertaining tendencies, and finding the substantial facts which give each major executive control in his department and the chief executive control with respect to general policies and plans. I have recommended strongly to the college of which I am a graduate, a college conspicuously launched on the course of cultural education, that they establish two new courses as cultural courses—accounting and statistics; these are the language of the social sciences, of economics, of business.

The Personnel Department

In one section of the country a great strike is in progress, and because there is no need for it, because practically everything management has done in connection with it has been done wrong, I am inspired to emphasize the matter of industrial relations, for which the personnel department has a large responsibility. There have been certain things which the industrial leaders of that region have not wanted, perhaps for reasons of competition; they have not wanted unions; they have not wanted legislative action with respect to hours and working conditions; they have seemed to want to handle labor as a commodity as they handle their raw material as a commodity. They recently posted a notice arbitrarily declaring a general reduction in wages; giving no reasons and in some instances

not even giving the amount. What is the result? There is a great strike; mills and workers are idle; goods have been damaged; deaths have occurred; a lot of ill-will has been generated. And what about the things which the industrial leaders did not want in their industry? One branch of the legislature has passed a forty-eight hour bill; the unions, which were practically bankrupt, have money pouring into their treasuries; two unions which were fighting each other have come together, and new members are enrolling as never before. Public opinion is with the strikers. Practically everything the industrial leaders didn't want has come to pass, largely because of wrong methods.

Perhaps twenty per cent reduction in wages is justifiable at the present time; I am not discussing that point and I am willing to assume that it is justifiable. But the mental attitude; the approach to the problem; the specific measures—everything has been wrong! One might have got away with such attitudes and methods before the war, but it cannot be done now and carry public opinion with it.

One of the best investments any business can make is a competent personnel director or supervisor, in a position of major responsibility, who represents the management to the employees and the employees to the management. He should report directly to the chief executive. The responsibility for the kind of plant you have, the kind of spirit, the output and the efficiency, in a moderate-sized business at any rate, comes right back to the chief executive. The personnel department is the department through which he expresses himself with respect to that phase of his responsibility.

The Future

There is a rather interesting article in a recent number of the *Analyst* in which an economist in one of our great universities suggests what the future of American industry is likely to be. He believes that the boom days are over; that the way to meet the future is by standardization of types of products, by centralizing and standardizing management, and so on. Some of his program resembles that of the late Kaiser or the present Hugo Stinnes. Some of his ideas I can agree with. I believe industry passes through cycles of change. We have had the cycle of the development of labor-saving machinery; the cycle of the growth of the corporate form of industry and of big combinations; the cycle of the distribution of securities and of