

its members to work at their chosen crafts. It is, therefore, fundamentally opposed to any subversive movement which has for its object the destruction of the existing order.

Second, that the greater industrial progress made in Germany since the war, as compared with other European nations, was due to the fact that the radicals had been driven out of control when the organized employers took the initiative in co-operating with the organized employees of the right wing, to combat their mutual enemy the revolutionaries of the left wing.

Third, that in America both the organized employers, as represented by the United States Chamber of Commerce, and the organized employees, as represented by the American Federation of Labor, were doing their utmost to keep politics out of industry, and that it would be possible to keep labor out of politics in America, and so avoid the mistakes of Europe, only if we gave it a legitimate industrial function to perform.

Finally, that the real function of the organized labor movement is educational, and that there can be no serious conflict of interests between employer and employee when both are concentrating upon the problem of increasing knowledge about the working processes and creating conditions for skillful and economical use of this knowledge.

Hollis Godfrey maintains that material wealth

comes from preceding factual wealth and men and women educated in its use. Why is it not, therefore, the function of management to create conditions for rapid accumulation of factual wealth, in order to produce more material wealth for the benefit of all, and so ultimately abolish poverty? Why is it not the primary function of organized labor to educate men and women in the intelligent and skillful use of factual wealth? If these are the functions of management and labor respectively, it seems to me that it is the function of capital to use its influence with management to create conditions which will stimulate management and labor in the exercise of these functions.

I am using the word "capital" as referring to those individuals who exercise the function of administering material wealth (potential and actual) which has resulted from the industry of human beings.

At present both capital and labor are unthinkingly placing obstacles in the way of efficient management, and the only way to remove these obstacles is for management to devise ways and means to accelerate the process of accumulating facts and to develop a technique for their evaluation and presentation. If this is done, we can develop an ever widening area of common interest and reduce correspondingly the area of conflict between the two.

IT MUST be assumed in the present stage of industrial evolution that generally the normal organization of industry is one in which a capital-entrepreneur executive group must assume responsibility for effective leadership in enterprise, and the worker group responsibility for effective followship. Yet when considered in every detail the matter is not so simple as this. Any individual or group may under favorable conditions become an original and independent source of power and of effective if not nominal leadership. To the extent

that scientific management substitutes the authority of the law of a managerial situation for arbitrary authority of an individual and establishes functional responsibility and authority throughout an organization, it creates a situation in which many sources and varieties of leadership will develop. This has to an increasing extent come to be recognized in the procedures and in the doctrine of scientific management. (Taylor Society Book, *Scientific Management in American Industry*, to be published this Spring by Harper & Brothers.)

Marketing Problems of 1929¹

II. The Marketing Problems of a Manufacturer of Equipment²

By RALPH H. DICK

President, Barrington Associates, New York

I THINK we all concede that the principles fostered by Mr. Taylor and others who followed in his steps have brought production methods to a high state of efficiency. Twenty years ago production emerged from the dark ages, and the time now has come for marketing to have its renaissance. We have been too slow in applying scientific principles to sales work.

It is sometimes interesting to reflect on the reasons why we have been so slow in adopting better marketing methods. Of course, we all have our own ideas on the subject, but three things always stand out when I allow my mind to dwell on this question.

In the first place, probably at no time in the life of any of those present has there been such a need for better marketing methods generally. We are experiencing a unique era in the history of this nation. The emphasis has passed, for the time at least, from production to sales. Until now the strong urge to dress up marketing methods has not existed.

In the second place, business executives have been too prone to leave marketing, and particularly the policy matters surrounding it, in the hands of pure sales executives. Until recently, and it is still true in many instances, the chief executives have come up from the production end of the business. They have been reluctant to tamper with affairs in the sales area of the business field, and the result has been that the sales manager has often been left too much to his own devices. The general manager, the chief owner, the partner, or the chief executive, with his wide understanding of the financial and production sides of the business, has not contributed to the sales side what

¹Papers presented before a meeting of the Taylor Society, New York, December 6, 1928.

²Mr. Freeland's paper on "Marketing Problems of a Manufacturer of Resale Goods," presented at the same meeting, appeared in the December 1928 issue of the *Bulletin* (Vol. XIII, No. 6, p. 223).

sales require from him. By the same token, the sales manager, because of his limited experience, has been unable to contribute, constructively, to departments other than his own.

In the third place, I think that most people have considered, and still consider, that sales work deals with such imponderables that many of the scientific methods used in other forms of business activity cannot be successfully applied to it. In these three reasons I think you have at least part of the answer as to why we have been so tardy in adopting better methods of marketing.

I should like to enlarge briefly upon point number two before proceeding further. As I said before, I think the fact that the chief executive has not taken enough interest, or a sufficiently intelligent interest, in sales work has been responsible for much of our trouble in marketing. In that connection I should like to again mention Mr. Freeland's point, namely, that we are not doing enough profitable selling. There has been too much urge for sales volume and not enough urge for the profits that should go with it. One of the causes for that is the basis of compensation upon which sales managers are frequently employed. The sales manager is given a salary—sometimes a large salary—and he is often given a bonus in addition. If he is given a bonus, it is usually based in some way on sales volume, either sales increase over past performance or some other plan which stresses sales volume solely. You must always remember that human beings have a certain amount of selfishness in their make-up, and you must therefore enlist their aid in some direct manner if you are going to appeal to them to help you control the profits that should flow from sales. If you place the emphasis on sales volume by the kind of compensation deal that you make with the sales manager, you will probably never be able entirely to get away from the evils which can well follow. The sales manager may sit in conference with you