

no charts or statistics. But it gets to the point clearly, forcefully, quickly.

The new way to net profits is exactly the same in principle as the new way to reduced shop costs as pointed out by Taylor: the statement of a man of long experience with many types of business concerning methods of approach and results obtainable. A few decades ago most consideration of business started with raw materials and production. The first thought was—What shall we make? Anything of reasonable value which could be made could be sold. It is significant that Mr. Shibley, after the introductory chapter "Why the new way was found necessary," takes as the subject of his second chapter, "Market study," and its opening words, "The capacity of the consumer to purchase is the essential consideration in the forecasting of sales," indicates the importance he places on the market itself. The importance of having market study done by the organization itself is also stressed, for it does little good for the executives of any organization to hire someone to do their thinking for them. This is really what many attempts at market study have amounted to. No sales plan can start on a sound basis except where founded on market study. Without it production plans and financial plans are also derived from uncertain origin. In all planning of corporate activities it is necessary first to determine volume, for this in turn will determine income and expense. Hence it is vitally important to base the estimated volume on a thorough knowledge of customers, their buying power, their needs, their interests and demands. A potential need is not always easily converted into a demand which will make sales. "Simplified and boiled down to a common-sense content, market study is an absolutely necessary phase of scientific administration. In fact, there can be no scientific administration without it. It is the primary principle of the system, the foundation on which it rests."

Even merchandising, "the most artistic of the elements" of business, is passing out of the realm of the art and into that of the science. Careful market study must of course precede the formulation of a merchandising policy. Price exercises a dominant influence in most sales, and the art in merchandising lies in so presenting a product for sale that price becomes secondary to quality, design and style.

Eye value, as it is sometimes called, has a strong appeal in the sale of any article. Hence style and design assume great importance, and the real merchant is he who adds these qualities to his goods in process, rather than he who simply acts as a distributor. Style is today a factor which has entered nearly every industry, and profitable price goes only with the latest style. Frequent style changes are a menace to the unprogressive manufacturer but a blessing to the wide-awake one.

The quality needed to fit the market is the basic principle for all products, not as a result of rigid inspection causing a high percentage of rejections, but from the careful planning and processing of goods at every step.

The selection of a line of products can be guided by research and analysis. Price must depend on profit producing power and upon the rapidity of turnover. A merchandise policy based on rapid turnover cannot go far wrong.

The chapter on distribution traces the history of trade in this country and indicates, clearly how and why in the constantly expanding sellers' market, the sellers (manufacturers) let someone else do their real job for so long that they completely lost control of their outlets and markets.

"The sales forecast evolves naturally from this study of markets and of scientific methods of merchandising and distribution." No proper budget of expense can be set up unless it is also known what the income is to be, and income results from sales.

The sales forecast is converted into tangible results by sales on the one hand and by production on the other. To obtain the balanced operations necessary for economy and minimum inventory, productions must be planned far in advance. The instance is cited of the complete mechanization of a plant for making automobile frames. In this case the production planning was incorporated into the machine so as to make the entire series of operations automatic.

Budgetary control is the instrument to tie together sales forecast, production plans, and expense schedules. Every expense must be productive and must give some direct or indirect return to the stockholders. The budget shows not alone what conditions are, but what the possibilities are. Many a business is in going condition today because of control brought about by a budget and the possibilities which it showed to the company's bankers.

The true purpose of management is the co-ordination and control of all the activities of a business, for the production of profits to its owners. The purpose of sales forecast, production planning, and all the rest is the production of profits. Profits can be planned just as production can be planned.

In the chapters on Research and Analysis are many instances showing the results of the application of thought and analysis to the problems of business. Some people must do the operating of a business, but to others must be delegated the solution of many of its more abstruse problems, which can only be solved by patient and painstaking study.

So the "New Way to Net Profits" is an application of old principles to the profit making end of business, with a greatly developed technique. First, state your problem, then analyze its elements. The sales forecast resulting from market analysis, the production schedule, the expense budget—all are steps, and each one must be broken down into its elements and then built into a structure whereby it can be controlled, so that the goal of net profits can be attained.

W. O. JELLEME¹

Types of Business Enterprise. By Maurice Condit Cross, Prentice-Hall, Inc., New York, 1928, pages x, 338.

This is the third book of this type to have made its appearance. The first was offered to the public under the title, "Business Organization and Combination" by Lewis H. Haney.

¹Manager of Production and Inventory Control, Pacific Mills, Lawrence & Co., New York, N. Y.

while the second—"Business Ownership Organization," by A. H. Stockder—was published in 1922. All three of these works are similar in content, a result, that may be attributed largely to the avowed intention of the authors to provide a text-book for use in collegiate instruction. Each deals with the technical features and uses made of the legal devices that are employed in the ownership and conduct of business enterprise. Another similarity is found in that each of the three goes into a discussion of the forms and purposes of combination, together with a general critique of "big business."

Your reviewer obviously cannot criticize Mr. Cross' work without indirectly reflecting upon his own. In fact, he would feel more free to point out the weakness of his own work than of one that parallels it so closely. On the whole, however, Mr. Cross has selected his material carefully, laid it out and arranged it very satisfactorily, and presents it in well chosen and readable language.

A. H. STOCKDER²

The Road to Plenty. By William T. Foster and Waddill Catchings, Houghton Mifflin Company, Boston, 1928, pages vi, 231.

Since Henry George wrote "Progress and Poverty" few books on economics have been as readable and convincing as "The Road to Plenty." It has style, human incident, drama, sentiment and enthusiasm.

Putting live human beings into the discussion of unemployment and business depressions makes these themes vibrate with interest. The discussers are fellow passengers in a Pullman smoker, and the kind we know so well. The unusual begins to happen only when the argument reaches a conclusion.

The conclusion is a plan of action to stabilize production and employment. The prosperity reserve which Mr. Hoover advocated by sending a message to the Congress of Governors is one part. A construction reserve of the federal, state and city governments is to be released when indexes of employment and production fall to a certain point. This demand for materials and for workers is the first line of defense. The new credit created by the sale of municipal bonds and by other methods will create a rising purchasing power when it would otherwise fall. The wages of the construction workers and makers and transporters of materials will create a demand for shoes, shirts, candy, movies, etc., and give new employment in these secondary industries. The wages of the workers in the secondary industries will be expended upon goods requiring the employment of workers in another group of industries, and so on. The curve of depression will be prevented from falling to the low levels of the past. This will be made possible in part by taking some public construction off the upper, rising curve of boom times, thus straightening it out without necessarily altering the total volume of public construction in a five year period.

The authors are primarily interested in proving why the regular and necessary operations of business produce at times greater producing than consuming power. This is because all the profits are never paid out to consumers, but are partly invested in plants, etc. When the supply of goods is greater

than the consuming power, new credits alone can enable the supply goods to be taken away by the consumer. Thus credits must be spent upon something other than machinery to produce more consumers' goods, which would only aggravate the situation. Public works, roads, public buildings, sewers and city planning are not consumers' goods and therefore good tools to create the needed purchasing power. A Federal Board is suggested as fiscal overseer to insure stabilization.

The authors are mutually supplementary. Mr. Foster is primarily an economist and educator. Mr. Catchings is best known as an organizer of sick corporations, an active director in healthy ones and a partner in an important banking house.

"The Road to Plenty" is a significant addition to the literature related to scientific management in its widest sense.

OTTO T. MALLERY³

Factory Organization. By Clarence H. Northcott, Oliver Sheldon, J. W. Wardropper, and L. Urwick, Sir Isaac Pitman & Sons, Ltd., New York, 1928, pages xi, 252.

This is the most interesting book on factory management which has as yet come from English authors, covering as it does a number of phases of factory operation and organization. Principles rather than methods of administration are covered, although from time to time the several authors dip into rather detailed subjects, as for instance, in the Industrial Relations chapter, "Lunch Breaks," "Overtime," and "Short Time." It is doubtful whether in the rapidly growing organization of the United States the following would be agreed to. "The organization which is modeled to suit the capacities and peculiarities of particular individuals may succeed for a time. It is, however, like the seed which fell on thorny ground; it can only flourish whilst the temporary conditions, for which it was designed, continue to exist. With every change in personnel, the organization must be changed, and the results can only be confusion leading to unsatisfactory working. However specious may be the appearance of an organization designed to suit individuals at any particular time, its foundation cannot but be shifting sand."

On the other hand, leadership which this book will give in many directions is well illustrated by the following paragraph from the section on Marketing and Advertising. "It seems probable that as the importance of marketing problems becomes, once more, keenly appreciated and studied by the English manufacturer, the tendency to place a large proportion of the executive work in the hands of the advertising agent will be reversed. Manufacturers will establish their own staff of artists, window-dressers, and similar craftsmen for the executive side of their advertising work. They will leave to the advertising agent his original function of placing copy with the Press."

Unquestionably this book will be of inestimable value in furthering the cause of better management in Great Britain and English possessions throughout the world.

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