

**Mr. Kendall.** I am glad to pick up the gauntlet since I am the man who was shot at. We do make very careful budgets based on sales expectancy and use them to figure departmental costs on every product we make. Every department manager and even every foreman is given an expense figure beyond which he cannot go. As far as expense is concerned these budgets are absolute controls. There is no possibility of escaping them.

I am familiar with Mr. Williams' flexible budget, but have never seen how it could be applied to our operations. For example, our Southern cotton mills operate full time and all the time for the simple reason that we do not plan to meet our cotton-cloth requirements with our own production. We make up the deficiency by purchasing cotton on the outside. And this condition holds to a certain extent for our whole organization. This is a principle around which we have built our organization.

We know the standard material, repair and labor requirements of our mills. Unless some radical change, such as a new invention, upsets these standards, it is possible to use them, together with estimated dollar values of sales and materials, to forecast costs pretty accurately and set up very definite controls for our operations.

**Morris Llewellyn Cooke.** I want to make one comment on something that was said this evening. It has always interested me to see how in the older sciences one event has followed another in logical sequence. Those versed in the field of electrical development, for instance, can trace through the decades those contributions through which present-day developments find their origin.

The same is happening in scientific management, though few will admit it. When I first started to make contacts with the work there were but few who would admit that even Mr. Taylor's work had been of any importance to them.

I feel, therefore, like personally thanking Mr. Brett because he has the kind of memory that enables him to acknowledge, ten years after the fact, that John H. Williams, a professional management engineer, gave him a fruitful idea. This seems to me tremendously important to a Society which has as many professional engineers in its membership as the Taylor Society. Such recognition will prove our strongest spur to action.

<sup>1</sup>Consulting Engineer in Management, Philadelphia, Pa.

**Harry Arthur Hopf.**<sup>2</sup> Since nautical devices have been mentioned, I want to refer to a device I observed recently in the navigating room of a coastwise ship. It is a simple copper or steel disc on which are deposited, at the appropriate points, weights corresponding to the weights of the different cargoes and other materials on board. When the weights have been correctly calculated and disposed—a matter of a few minutes—the disc, which corresponds to the hull, is suspended. The result shows immediately whether or not the ship is properly balanced. Before the invention of this device, elaborate and time-consuming calculations had to be made to provide this information.

To me, comparison of this new device with the old plan is like comparison of our present methods of controlling business affairs currently with the old system of laboriously gathering material which became out-dated before it was ready for use.

The concept of control, it seems to me, is one which is often endowed with a greater degree of absolutism than is warranted in practice. I do not like to think of control as a domination by figures, or of the comptroller as an officer who exercises control. He is, rather, the eye of management. Control at the top should consist of the illumination of all the facts that we can focus on a situation by bringing to bear the best judgment and thinking available.

The important thing is that decisions should be made as close as possible to the point of action, especially in dealing with industries which are nation-wide in scope. This is necessary if the various units of organization are to be effectively overseen by persons of the ability that we are likely to find at the several supervisory levels.

The quality of tolerance that has been reflected in Mr. Davis' approach to his subject is probably a sample of the open-minded viewpoint which exists throughout his organization, and that quality has undoubtedly had a lot to do with the acceptance of the techniques and mechanisms which he has described.

I thoroughly believe in those techniques and in the emphasis he has placed on simplicity. I believe, too, that the term "control" is repugnant to most people. If it is regarded as intelligent and constructive criticism after the fact, rather than meddling interference before the fact, the best long-run results can be achieved.

**Mr. Davis.** I should like to answer some of the questions raised by Mr. Brett and Mr. Cameron.

<sup>2</sup>Senior Member, H. A. Hopf & Co., New York, N. Y.

In the first place, we do not have a forecasted balance sheet. We hope some day to have it, however.

Our operating budgets are fixed. We explain situations that arise as we go along; we talk things over and annotate the budget for future use, but the budget itself stands. It gives us something to shoot at all the time, as I explained in my paper. We are very much interested in Mr. Williams' work on flexible budgets, although we have not as yet applied it to our own operations. Our new equipment budget is flexible and is amended as the year progresses.

As far as our unit costs are concerned, we break them down into a number of classifications, i.e., raw material, labor, supplies, etc. Our sales expense is broken down into brokerage expense, salaries, ware-

house expense, absorbed freight, if we are selling on an f.o.b. basis, advertising and cartage. These, in turn, are each broken down into units in terms of cases.

As regards our research work on sales, we have the country divided into trading areas to which we assign the proper sales volume and expense for each product, as a means of comparing selling costs in different markets. When we find that we make more profit in one area than in another we go into the reasons for this condition in great detail.

I agree heartily with Mr. Hopf's conception of the comptroller's job. It should be his job to interpret things as they come along—to help to avoid disastrous situations by anticipating difficulties and suggesting prompt remedies.

## News Notes

### President Thompson Is Honored

President Sanford E. Thompson is to be made an honorary member of the Concrete Institute on March 3. The honor will be conferred in Washington for twenty-five years of writings on concrete.

### Special Meetings

On January 27 the Society departed from regular procedure and called a special meeting of the organization in New York at the Hotel Shelton. It was the first of two meetings, which will take the place of the usual spring meeting out of town. The purpose is to gather together, through discussion by a wide variety of individuals, a body of suggestions for the relief and cure of depression.

At this first meeting relief measures were discussed; at the second, on April 14, long-time curative measures having to do with money, banking, credit and taxation will be considered.

On January 27 the following papers on the general subject of stimulating consumer demand were presented before dinner: "Public Works, Credit and the Arrest of Deflation," by Otto T. Mallery of Philadelphia; "Positive Government Action to Check Unemployment," by Edward P. Warner, Editor of *Aviation* and formerly Assistant Secretary of the Navy for Aeronautics; "Organizing Local Responsibility for Stimulating Consumption," by S. Park Harman, Executive Secretary, Rochester Civic Committee on Unemployment.

Participants in the discussion following dinner included I. Maurice Wormser, Dr. Mildred Fairchild, John Norton Johnson, Dr. William N. Loucks, Dr. Henry Pratt Fairchild, Daniel M. Bates, John J. Hader, Walter N. Polakov, Dr. N. I. Stone, John W. Lyman and Paul Wurtz.

Dr. Mildred Fairchild presented the following motion, which was approved by the group:

"That this group suggest to the Directors of the Taylor Society that they appoint a committee to consider the problems here discussed, and if they consider it advisable to present a program of action, that they do so."

### New York Metropolitan Section

On February 18 Professor Walter Rautenstrauch of the School of Engineering of Columbia University addressed the regular monthly meeting of this group. His subject, "Control and Reduction of Overhead in Relation to Depression Periods," stimulated very general discussion. Herr Hugo von Haan of the International Management Institute was a guest of honor. He is spending six months in this country studying American management methods.

### Central New York Section

This section continues to hold its regular monthly meetings in Syracuse. At the January meeting J. C. Howell, Vice-President of Standard Statistics Company, addressed the group on the economic outlook for 1932. In February Professor Hepner of the College of Business Administration, Syracuse University, spoke on a philosophy for business men.