

man in charge of market research. Someone should be delegated to act as secretary of these meetings to see that any action decided upon is covered by a memorandum to the party responsible for carrying out the decision. It should also be the duty of the secretary to follow progress and report to the general manager at intervals. In other words, safeguards must be set up to assure the carrying out of decisions which, without them, often die aborning.

In the case of those products which do not show a satisfactory margin of profit, the following questions should be asked, and answered on a basis of *actual facts*:

1. Can the selling price be increased. If not, why not?
2. Can the cost of manufacture be lowered? If it can be, what would be involved? If not, why not?
3. What improvement can be made in the design of the product, either with a view to bringing the cost down to a point which will make it profitable, or to raising its quality to a point which will make it attractive to the customer at a price which will yield a satisfactory profit?

As a rule the response to these questions, at least in the beginning, will be that "nothing can be done about it." Here it is up to the general manager to take the stand that nothing is impossible and to inspire his associates with the belief that it is possible to effect improvement if they go at the problems with determination and intelligence. It is surprising how often the seemingly impossible may be accomplished in such cases.

In the case of profitable products which show too small a volume of sales, the following questions should be asked:

1. What is the potential market?
2. Are we getting our share of it? If not, why not?
3. Are there possibilities of increasing the market through the development of new uses?

I might expand indefinitely at this point, but I believe I have given enough detail to furnish plenty of food for thought.

The General Ledger Balance Sheet

This report sets forth each month in a logical grouping the company's assets and liabilities. In addition to the figures for the current month, it should show comparative figures for the preceding month, for the first of the year and for the end of the previous quarter. The top of the sheet should carry the following summary:

1. Plant and other fixed assets.
2. Materials, including manufactured products, in stores and in process of manufacture.
3. Cash and other quick assets.
4. Unapportioned expenses, including accounts in suspense and deferred charges.
5. Miscellaneous assets not included in any of the foregoing groups.

The total of these groups should be shown at the top of the sheet. Below this summary there should be a section for each of these groups, and under the total for each group its subdivisions should be shown. For example, under the first group would be shown:

1. Machinery and other appliances, including fixtures and furniture: in short, all equipment
2. Patents
3. Real estate
4. Buildings

Under the second these items would appear:

1. Stores or purchased materials
2. Merchandise stores, i.e., finished salable products in stock
3. Worked material stores, i.e., manufactured stock parts in stock
4. Work in process of manufacture

Under the third there would be:

1. Cash
2. Accounts receivable
3. Notes receivable
4. Cash advances to individuals and companies
5. Investments

The company's liabilities are set up in similar manner in the general ledger balance sheet. At the top there should be a summary showing all the liabilities classified and grouped somewhat as follows:

1. Liabilities to stockholders
2. External liabilities
3. Expenses apportioned in advance, i.e., charged in advance of actually incurring a liability, and accrued obligations not yet due
4. Miscellaneous liabilities not falling under any other class
5. Income or profit and loss

As in the case of assets there should be sections below showing the subdivisions of each of these principal groups. The nature of these subdivisions is so obvious as to make further explanation unnecessary.

In addition to the sheet just described, the general ledger balance sheet should be accompanied by:

1. A sheet showing the increases or decreases in various assets and liabilities. These are simply the differences between the figures for the current month and those shown in the comparative columns for the previous dates. They account for and equal the figures representing the profit or loss for the period in question. A knowledge of these figures is of considerable importance to the general manager if he is to exercise control. For example, a business may show a nice profit and yet get into financial difficulties through inventory inflation, poor collection of accounts or notes receivable, or premature expenditure for new equipment or plant improvement.

2. An analysis of the increases or decreases in the various classes of purchased and worked materials that make up the company's inventory. These should be set up in accordance with the classification and serve the general manager as a basis for control of inventories.

3. A list of all overdue accounts and notes receivable, showing the balance in each account the previous month, the amount added in new accounts and the amount collected during the month, and the remaining balance.

While all the information conveyed in the general ledger balance sheet, together with the memoranda described, is of interest to the general manager in his conduct of the company's affairs, that portion which gives the facts on inventories, both in stock and in process of manufacture, is probably of the greatest importance. In this connection I should like to point to a circumstance little understood by managers. This is that inventories may be made to accord with rates of sales, or made to rise or fall at will, by the simple expedient of fixing the amounts of payrolls and materials purchased. All that the general manager needs to do to control inventories is to issue the appropriate orders and see that they are carried out.

This is the fourth of a series of articles which began in the October issue of the *Bulletin of the Taylor Society*.

Gilbrethiana

At the Newark College of Engineering is a "Gilbreth Room" dedicated to the memory of Frank B. Gilbreth. The College would appreciate the gift or deposit of papers, pictures, instruments and other Gilbrethiana, as well as other works on Scientific Management and human relations.

The Call for Leadership

A Challenge to Business and to Politics

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IT APPEARS unnecessary to undertake a comprehensive discussion of the nature of leadership. It may be assumed that we have a common understanding of its nature sufficiently definite to serve the purpose of the evening. Yet because reference to a *call* for leadership implies that the type of leadership in mind has not been realized, it is desirable to specify what that type is.

Types of Leadership

For our purpose we may first divide leaders into two classes:

1. Leaders of research and thought.
2. Leaders of action as distinguished from leaders of research and thought. The cry today is for leaders of action who can catch up with leaders of thought.

Then we may divide leaders of action into two classes:

1. Those numerous leaders who are essential to carrying on the conventions and customs of life. Such leaders are never wanting, although their qualities may vary greatly. Social processes could not go on without them. Every institution must have its leader; every group its leader. Some of these leaders simply serve to co-ordinate the divided labors through which established patterns of activity are carried on. Others among these, and they are many, lead the way to improvement or at least change of conventions and customs. Industry has its Fords; retailing its Woolworths; politics its La Follettes; education its Deweys; religion its Fosdicks. Many of these leaders are noteworthy also as leaders of thought; some of them may start forces which in the long run profoundly modify institutions. Their aggregate influence is enormous. Yet we are not this evening concerned with the type of leadership which leads only with respect to conventional and particular aspects of culture.

2. Those occasional outstanding leaders of action who arise in times of social crisis involving collective aims, morals and the direction of the cultural trend of an entire society—Caesar, Charlemagne, Napoleon, Bismark, Lenin and Gandhi, Washington and Lincoln. Such are the leaders who appear at a time of dislocation of the secular trend; geniuses of action who perceive the nature of the dislocation and are able to gather up the scattered fragments and reassemble them into a new, functioning, organic whole which utilizes the very forces that had caused the secular break. It is with leadership of this type that we are concerned tonight because it is for leadership of this type that there is a call in the United States today.

Assuming for the moment that the state of our affairs constitutes a call for such leadership, let us ask ourselves why a leadership is so slow in responding to the call; why perhaps affairs must become worse and the call stronger before the necessary leadership emerges.

Rarity of Crisis Leadership

Crisis leadership is rare the world over, but in the United States it is particularly difficult to produce, and one may fear that this difficulty is increasing. There are undoubtedly many reasons for this, among which the following may be noted:

1. A century dominated by pioneering, opportunistic ex-

ploitation of the vast resources of a continent has indicated one consistent major line of policy and conduct for the United States. Only one real crisis has heretofore appeared—the conflict between a feudalism and a nascent industrialism which culminated in the Civil War. This conflict found its leaders who performed their tasks and disappeared. Since then the trend has been one of easy development of the new industrialism, in which because of no call for its exercise, the capacity for crisis leadership has atrophied.

I am not unmindful of Woodrow Wilson, the greatest among our leaders since Lincoln, but the crisis through which he led was minor compared to that which confronted Lincoln or that which now confronts us; and in its later stage of intensification following the armistice new phases of the crisis presented problems too difficult for this exhausted leader to solve.

2. The relatively high standard of living realized by all social classes as a result of this appropriation and exploitation of abundant resources has led to an intellectual and moral softness, a complacent satisfaction with things as they are, which dims the capacity for perception of the significance of trends and even for perception of a cultural crisis during the early stages of its appearance.

3. The size of the United States, the diversity of resources, and the regional characteristics of its basic livelihood activities have tended to focus individual attention on local interests and problems instead of on national interests and problems, and few of us have become able to think on a scale comparable to the scale of the forces which have led to crisis.

4. The influence of political democracy has been against the emergence of leaders. We are the first great democracy in history, and we are politically young and inexperienced. We have not yet learned how to adjust democracy to our developed, complicated needs, and among other things to our need for leadership. In our democracy so-called leadership has come generally to consist in ascertaining the trend of mass emotion and uninformed opinion and then assuming a position of "leadership" of such trends. While leadership cannot go against mass trends, it is not genuine leadership if it merely follows and is distinguished only because it has run out in front; like the dog which is always ahead of its master but also always has a weather eye for the direction in which its master intends to go. True leadership must risk possessions and limbs and life in persuading the mass to modify its course, whereas our so-called leaderships are chiefly concerned with protecting possessions, limbs and life. We observe a humiliating illustration of this in connection with those sectors of our problem pertaining to war debts, and to modification of policy concerning the manufacture and sale of intoxicating liquors. Attention has recently been called to the fact that Senator Cummins at the time of the first loan to our allies pleaded that it be made an outright contribution and not a loan; that there were moral grounds for making it a contribution and practical grounds for not making it a loan. He prophesied that a loan would eventually come back to plague us. In the face of fulfillment of his prophecy we appear no wiser than we were then, and present a case of increasingly stupid ineptitude.

5. The political institutions of the United States, espe-