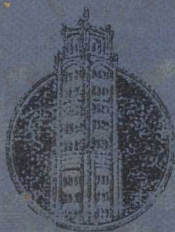


FUNDAMENTALS OF
BUSINESS ORGANIZATION
AND MANAGEMENT



CORNELL
MACDONALD

FUNDAMENTALS OF BUSINESS ORGANIZATION AND MANAGEMENT

BY

WILLIAM B. CORNELL, M.E.

*Professor of Management; Chairman of Department of Business
Management, School of Commerce, Accounts and
Finance, New York University*

AND

JOHN H. MACDONALD, M.C.S.

*Assistant Professor of Management, School of
Commerce, Accounts and Finance,
New York University*

FREDERICK G. NICHOLS

Associate Professor of Education, Harvard University

GENERAL EDITOR



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EDITOR'S INTRODUCTION

ANY program of vocational education must make provision for four types of training which often are referred to as follows: social intelligence, vocational intelligence, technical knowledge, and occupational skill. Occupational surveys, job analyses, employment records, and investigations of the benefits of commercial education in terms of initial job efficiency and earned promotions are revealing the indisputable need for greater emphasis on that type of training which has for its objective the development of social and occupational intelligence.

It also is apparent that initial commercial employments open to boys and girls are not satisfactory, from an economic viewpoint, as permanent occupations. In other words, a clerk, stenographer, bookkeeper, or calculating machine operator should be trained to render efficient service at the outset and to merit promotion to higher occupational levels in the not too distant future.

While "blind alley" jobs are few, it is apparent also that vocational blindness frequently obscures open doors to advancement. Promotion must be visualized before it can be achieved.

Ability to perform some essential task is no longer all that is required of an office worker; he must understand the work which he does and appreciate its importance and relationships in the organization of which he is a member.

A recent investigation which was conducted in cooperation with the National Association of Office Managers reveals the almost unanimous belief among such executives that specialization in commercial work tends to prevent office employees from acquiring an understanding of a

business as a whole and of those basic principles in accordance with which business is organized and managed.

It is believed that prospective commercial workers, through the study of this book, will acquire a fund of business knowledge closely related to their present and future employments, secure much needed vocational or job intelligence, master the fundamentals of sound business organization and management, and obtain a clear conception of the promotional avenues which run in many directions from their initial or original contact jobs. Such a course is desirable for all commercial pupils, but it is absolutely necessary for boys.

Its introduction as a part of a commercial curriculum will benefit boys and girls by insuring to them advancement according to their aptitudes and interests. It will aid employers by making available to them a supply of young workers who are capable of assuming responsibility. The public will gain through improved service which business so staffed can render.

People visiting a foreign country for the first time see and appreciate much or little just in proportion as they have prepared for their trip by careful study. Likewise, one adventuring in the field of business for the first time learns much or little that will help him advance just in proportion as he has prepared himself by previous study. This course is intended for those who are getting ready for their first business adventure and for those who are already on their way without adequate vocational understanding.

HARVARD UNIVERSITY

F. G. NICHOLS

AUTHORS' PREFACE

IN writing this book, the authors' purpose, first, to acquaint the student with certain fundamental principles that are requisite for organizing and managing a business; second, to offer a reasonable solution of the common problems of business management; third, to encourage young people to think of business as a field that presents great possibilities for constructive work, and to teach them, therefore, to appreciate the importance of sound business knowledge; and fourth, to open a field rich in material for future study.

This book discusses the organizing of a business from its inception, through its various stages of growth into a going concern. The operation of each department and the inter-relationship of all the departments are clearly explained, yet no attempt has been made to treat any one part or division exhaustively.

The numerous illustrations of office equipment, charts, and diagrams that lend themselves for business efficiency not only arouse interest in the subjects discussed in the text, but they also greatly help the student to visualize the principles of organization and management.

The questions for discussion at the end of each chapter require the student to apply the principles discussed in that chapter to the solution of business problems.

The references provided in each chapter suggest material for investigating more extensively certain topics of special interest. These references may be used to advantage by

students who show more than ordinary ability along organization and management lines.

Throughout the presentation of this text the authors aim to have the student see business as a whole, rather than as so many isolated departments working independently. The student having this true perspective when he enters business is more likely to feel that a spirit of coöperation is essential to his welfare as an employee as well as to the success of the employer.

In choosing the material that relates to a subject as broad as business organization and management, the authors aimed to include only those principles that are considered as fundamental to every well-regulated business. It is believed, therefore, that this text deals only with essentials and that those essentials are presented in a manner easily comprehended by the student.

W. B. CORNELL

J. H. MACDONALD

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FUNDAMENTALS OF BUSINESS ORGANIZATION AND MANAGEMENT

CHAPTER I

THE FOUNDATION NEEDED FOR SUCCESS IN BUSINESS

The successful business man. — The successful business man of to-day is the one who regards business not as a daily grind consisting of an endless series of uninteresting and routine tasks, but as a game which brings unlimited opportunities and happiness, provided he learns the rules and plays accordingly. Those who make it dull and uninteresting are not apt to be counted successful either by themselves or their business associates. On the other hand, those who see in every business transaction and in every position an opportunity to make a good play in the game are fairly sure of winning success.

The rules of the game of business. — Men enter business primarily to make money. They stay in business after they have made their money because they like the game. To make money in business to-day requires not only that a man have ambition, perseverance, and judgment, but also that he shall know the rules and play according to them. These rules are simply those fundamental principles or laws which have been found to hold true in such a large number of cases in the past that it can be safely assumed that they will continue to hold true in the future. As a matter of fact, these laws or principles are only com-

mon sense applied to business. A knowledge of these alone, however, does not insure success in business life, any more than a mere knowledge of the rules of baseball automatically makes a person a major league ball player.

Self-analysis. — Qualities needed to attain success in business include a fair measure of health, good character, intelligence, a natural aptitude for the particular kind of work, and a willingness to work.

It is always well for the prospective business man to analyze himself and see whether he is fitted for success. He should study and analyze himself carefully, as he would any problem. First, he should consider his character. Nothing can develop one's character so much as detached self-analysis. Half the battle in overcoming a fault is in acknowledging that the fault is there. If one realizes one's deficiencies and conscientiously strives to overcome them, one cannot help but win at least a fair amount of success. A great educator said, "If I can only teach my pupils to see themselves, my life is worth while."

The prospective business man who is endeavoring to make himself a success should analyze himself in the light of the following essentials :

1. *Honesty.* Defining an honest person as one who does not steal money or other articles, the vast majority unquestionably would be honest. Charles M. Schwab says, "The man who fails to give fair service during the hours for which he is paid is dishonest."¹ In the same way the student at school who wastes his time and the time of his teachers is not honest in the full sense of the word. He is not dealing honestly with his parents, who perhaps are making sacrifices to give him an education.

¹ CHARLES M. SCHWAB, "Succeeding with What You Have." — The Century Company, 1917.

He is not dealing honestly with his teachers and with the taxpayers who provide the schools. He is not honest with himself. He is cheating himself out of the knowledge which should form a sound basis for his life work.

Likewise, the employee who "loafs on the job," the salesman who promises anything in order to make a sale and then does not fulfill his promise, are dishonest in business. Honesty pays in business as it does in every phase of life.

2. *Diligence.* A man may be willing to do hours of hard manual labor and yet never stop to think about what he is doing. He is not alert. He is mentally lazy. By thinking, he might discover a way to save himself much needless labor. The revolutionary change in mode of travel from ox-carts to railroad trains, automobiles, and aeroplanes has been due not so much to strenuous physical effort as to intensive thinking and planning. If it were possible to dominate through physical force alone, the elephant would be superior to man instead of man, a comparatively small, physically weak creature, being able to train the elephant to act as his beast of burden and work for him.

Again, one may be mentally alert and physically lazy. Many a fine idea has been lost to the world because the originator was too lazy to carry it out or even to see that it was carried out by others.

In analyzing one's self, one should ask the questions: Am I physically or mentally lazy? Do I work to the full extent of my ability?

Laziness, both mental and physical, can and should be overcome. Indolence is the chief barrier that stands between a great many persons and success.

3. *Ambition.* Practically every one has an ambition — the boy to play ball like a "home-run king," the girl

to be as beautiful as her favorite "movie" star. What ambition is needed to become a successful business man? The ambition to create a powerful business organization; to be a leader in business, not a follower. Every prospective business man should ask himself whether he is striving to be a leader or whether he is content to be one of the thousands of followers.

Ambition properly directed is the driving force essential to success.

4. *Clear thinking and good judgment.* Many persons do not think clearly. They are satisfied to get a rough, general idea and let it go at that. The habit of clear thinking, of logical reasoning rather than the acceptance of hazy generalities, is a most valuable asset to any one. The business world of to-day demands good judgment based upon facts rather than snap judgment.

5. *Patience and perseverance.* Successful business is built up step by step. A study of the lives of business leaders will prove conclusively that patience and perseverance are characteristics of the vast majority of them. Their lives have not been a steady march up a clear, smooth road to success. They have had many disappointments, many obstacles to overcome, but they have had the patience and perseverance necessary to overcome the obstacles. They have not been conquered by their trials, but have been made stronger by them. Patience and perseverance are traits which should be cultivated by every business man. "Patience is not only a virtue but it pays."¹

6. *Diplomacy.* Diplomacy is a wonderful thing, for it smooths away so many obstacles in life. Young men and women are very apt to be proud of speaking their mind. Many do not consider that they may be wrong in

¹ B. C. FORBES, "Epigrams."—Forbes Publishing Company, 1917.

their views, or if correct, they may express themselves in such harsh language as to offend deeply. On the other hand, with a little diplomacy they could have paved the way for understanding and carried their point.

Diplomacy counts just as greatly in the business world as it does in international affairs. The men and women who are proud of speaking their own mind regardless of the feelings of others never know the true friendships that the diplomatic person enjoys. The business man who through his manner of doing business makes friends, builds a firm foundation for the future.

7. *Confidence.* If a man does not have confidence in himself, he cannot expect others to have confidence in him. It is the fear of failing, the lack of confidence in their own ability that is the greatest obstacle between many men and the success which they long to attain. Every one should set himself a goal and strive his utmost to attain it, having confidence that he can and will attain it.

8. *The advice and opinions of others.* Mr. Schwab says, "Do not be afraid of advice; ask for it." Consider the advice and opinions of others, weigh them and act accordingly. But do not follow blindly.

9. *Ability to follow instructions.* Almost every one will insist that he can follow orders. However, if the same orders are given to a group of persons, few are able to carry out the instructions completely. The ability to follow instructions intelligently is a most valuable asset to the employee. In like manner, it is exceedingly important that the employer learn to carry out orders before he can expect others to carry out his orders.

10. *Natural aptitude.* Most persons have a natural tendency towards some particular line of endeavor. Some have a natural aptitude for mechanical work, others for work along artistic lines, commercial lines, agricultural,

medical, etc. Such natural aptitude should be taken into consideration when determining one's qualifications for success in business. It must not be concluded, however, that a person who is not decidedly inclined towards a certain class of business would be a failure in that line. Natural aptitude is of importance in deciding upon a life work, but is by no means a conclusive indication of future success or failure. An understanding of and appreciation for practically any kind of work can be cultivated, and success made of a business in almost any line, provided sufficient effort is expended.

Fundamental knowledge of business. — After analyzing himself along the above lines and determining his weak points so that he can strengthen them, the prospective business man should then analyze himself from the standpoint of his knowledge of the fundamentals of business.

A person would not think of practicing medicine without study or preparation. He would feel that he did not know the subject and therefore could not practice it. Moreover, the law would not allow it. Yet many men simply "go in business" with little or no preparation. If a business man has the fundamental knowledge of business that he should have before entering it, he will realize the necessity for a thorough study of his particular field; he will appreciate the value of accurate cost figures, not mere guesses or approximations; he will keep abreast of the times by studying the conditions of labor, trade, and business in general.

Business of the past and present. — A more comprehensive idea of what comprises a basic knowledge of business will be gained by a comparison of business to-day with that of the past. Business has not always been organized as it is to-day. A study of economics and history shows that

centuries ago, one person performed all the functions that are now carried on by many different persons. The same person bought the raw material, produced or made the goods, sold them and collected the money due him, or traded his products for those of his neighbor. Society and life were far more simple then than they are now. There were fewer people, they had fewer wants or needs. Each group was generally self-sufficient. Gradually this condition was changed. Between 1750 and 1825 occurred what is known as the Industrial Revolution. Machines crude in comparison with modern ones, nevertheless very remarkable at that time, were invented. Water power, steam, and later, electricity, were applied to the operation of these machines. Slowly but surely machine work supplanted hand work wherever possible. People became experts in the operation of a particular kind of machine. Factories to house these machines were built, and these factories devoted themselves exclusively to the manufacture of some particular kind of commodity or article. Thus there grew up plants making only shoes or textiles or machinery. Factories grew larger and larger, producing vast quantities of manufactured goods. To find a market for this enormous volume the present-day, far-reaching sales methods and practices were developed. In addition, the modern advertising field was opened up and there developed an art of publicity formerly almost unknown. Business transactions involved greater and greater sums and modern finance developed to meet the demand for funds to cover such transactions. Meanwhile men began to devote themselves entirely to some one phase of business; some specialized in finance, some in selling, some in advertising, and so on. All these momentous changes in business resulted in the modern business organization with its tendency towards larger units, each highly specialized.

The modern business man. — Trained business men are required to take care of highly developed business. It requires men who have made a systematic study of the work of their own field, and in addition have a working knowledge of other phases of business. The work of each field of business is interwoven with the work of other fields. The manufacturer of woolen cloth must know more than how to manufacture his goods. He must have a working knowledge of finance, purchasing, selling, etc. Otherwise he might manufacture cloth of most excellent quality and yet be a failure in business because he is not able to control the finances of his company, to purchase the raw material to advantage, or to sell his products. No one person can hope to be an authority on all phases of modern business. Each business man, however, can have a working knowledge of the fundamentals of business in general and of the workings of the various departments that make up a going concern. With such a knowledge he can appreciate the importance and the problems of all phases of business and thus more nearly approach the ideal of the well-rounded business man.

Summary. — Many failures in business are due to the fact that the persons involved did not really know their own qualities. Every young person upon entering business, whether establishing a business of his own or working for some one else, should analyze himself and determine just what qualifications he possesses for success. It is the person that counts. The analysis should be from the standpoint of character, intelligence, willingness to work, natural aptitude, and knowledge of the particular field of business as well as the fundamentals of business in general.

Business is constructive. To develop and grow, business must be directed by constructive men, men who appreciate the laws and principles of business and who are guided by

them. These laws and principles are common sense as applied to and classified for use in business. Instead of each business man having to grope blindly around for himself, there are certain business laws that have been formulated for him to follow in starting an enterprise, in financing the enterprise, in keeping accounts, buying and selling, and so on. A knowledge of these laws serves as a working basis for the prospective business man, and their application to his particular work at hand brings him closer to success in business.

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QUESTIONS AND PROBLEMS FOR DISCUSSION

1. Study and analyze the lives of the following men and name the characteristics of each that helped to bring success to them:

Thomas A. Edison
Charles M. Schwab
John D. Rockefeller

2. How can the term "a successful business man" be defined?
3. Is success purely a matter of dollars and cents? If not, what other factor enters into it?
4. What do you consider is the reason that such men as Charles M. Schwab and Elbert H. Gary stay in business now that they have made their fortunes?
5. What is meant by saying "a business succeeds only as it serves"?