

AN ANALYSIS OF THE ORGANIZATION AND OPERATION OF  
SELECTED NEGRO RETAIL BUSINESS ESTABLISHMENTS IN  
MISSISSIPPI

by  
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For the Department

## DEDICATED TO:

(1) Mrs. Jennie L. Mitchell, my mother who provided means for our education regardless of our financial condition.

and

(2) Mrs. Augusta W. Harris, my teacher who gave me the insight of self-confidence and the sense of moral standards, which are essential for success in the professions and for successful living.

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UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF THE CENSUS - RETAIL TRADE 1939  
NEGRO PROPRIETORSHIP

<u>Kind of Business</u>	<u>Number of Stores</u>	<u>Sales</u>	<u>Number of Employees Full Time</u>	<u>of Employees Part Time</u>	<u>Total Payroll</u>	<u>Stock on Hand End of Year</u>
Grocery Stores (without fresh meats.)	5,655	7,934,000	234	179	\$110,000	\$328,000
Combination Stores (grocery & meats)	2,524	11,454,000	750	304	400,000	563,000
Meat Markets	493	486,000	87	57	54,000	2,000
Dry goods and Gen. Merchandise	43	161,000	15	10	10,000	56,000
Variety Stores	40	95,000	8	4	2,000	13,000
Drug Stores with fountains	276	3,084,000	442	126	300,000	557,000
Drug Stores, Other	272	1,386,000	184	94	118,000	246,000
<b>FOOD GROUP</b>	<b>11,038</b>	<b>24,037,000</b>	<b>1,336</b>	<b>824</b>	<b>755,000</b>	<b>961,000</b>
<b>APPAREL GROUP</b>	<b>333</b>	<b>779,000</b>	<b>94</b>	<b>43</b>	<b>68,000</b>	<b>176,000</b>

Table No. 1

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF THE CENSUS - RETAIL TRADE 1939  
NEGRO PROPRIETORSHIP

<u>Kind of Business</u>	<u>Mississippi Total</u>		<u>Number of Employ-</u>		<u>Total Payroll</u>	<u>Stock on Hand</u>
	<u>Number of Stores</u>	<u>Sales</u>	<u>ees</u> <u>Full Time</u>	<u>Part Time</u>		
Food Group	607	1,004,000	46	40	\$18,000	\$47,000
Grocery Stores (without fresh meat)	466	551,000	17	21	6,000	17,000
Combination Stores (grocery-meats)	101	423,000	16	14	11,000	30,000
Meat Markets	24	28,000	1	0	0	0
Other Food Stores	16	2,000	0	0	0	0
Gen. Stores and Gen. Merchandise Stores	14	54,000	1	1	1,000	1,000
Drug Stores	13	96,000	16	7	10,000	35,000
Other Retail Stores	20	28,000	5	4	4,000	2,000

Table No. 2

## INTRODUCTION

This study represents a survey of Negro business establishments located in Tupelo, New Albany, Winona, Clarksdale, Meridian, Jackson, and Columbus, Mississippi. The primary purpose of this study is an attempt to obtain information about organization, finance, operation, and the degree of trained personnel within Negro business establishments. It is believed that once such information is made available to these businessmen in Mississippi, they will know how to prepare themselves for survival and expansion in a competitive economy. Such information is intended to aid them in making a more favorable standing in the business population based upon successful stores adequately financed and operated by properly trained business personnel. The contents may also be studied with beneficial results for any person who expects to establish and operate a small retail store in any rural or urban area, because the findings presented are primary problems of all small business units.

"The last available information shows that the ten states having the greatest number of retail stores owned and operated by Negroes were as follows: Texas, first; Florida, second; Georgia, third; Virginia, fourth; North Carolina, fifth; New York, sixth; Louisiana, seventh; Illinois, eighth; Mississippi, ninth; and Alabama, tenth. But the ten states showing the largest value of sale during the

year were: New York, first; Texas, second; Illinois, third; Ohio, fourth; Virginia, fifth; Florida, sixth; Pennsylvania, seventh; Georgia, eighth; Michigan, ninth; and North Carolina, tenth."<sup>1</sup>

From this information you can readily see that the Negro businessmen of Mississippi, even though they are listed in the first ten in terms of numbers of stores operated, are not listed in terms of the value of sales yearly, a fact making it necessary for more participation in the business affairs of the state, particularly in the ownership of businesses of every kind.

In this state, we need to improve our economic condition pertaining to the number, classification, expansion and growth of business now, as well as the earning power of individuals within the state. The median income for whites in 1950 was \$1,614, and \$601 for Negroes.<sup>2</sup> Essential information upon which answers can provide means whereby an adequate foundation in business can be laid, is one of the primary aims of this thesis. Such information is essential for economic security for any group or nation. Obtaining information upon which answers to this question can or may be available is also an important reason for which this study is intended.

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<sup>1</sup>Sudduth, Horace, President, The Report to the 51st Annual Convention of the National Negro Business League, 1952.

<sup>2</sup>1950 Census of Population, Volume II, Part 24, Mississippi, P. 39.

Many successful businesses owned by Negroes were developed through trial and error, and without aid, direction or inspiration. Today a person engaged in business "needs a sense of authority, a monument of knowledge, and a soul well-taught. Our generation of people should forget about the success of other races and get down to earth."<sup>3</sup> Mr. Horace Sudduth in his speech to the 52nd Annual Convention of the National Negro Business League stated: "We have only to look at the records of the progress of other minority groups to discover the struggles which have been theirs. They have reached their present level of accomplishment through organized effort, careful planning, and through financial, personal, physical, and mental sacrifices."<sup>4</sup> It is believed by this writer that the economic position and security of the Negro must be improved primarily through ownership of business organizations, along with an improved sense of civic responsibility and political participation.

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<sup>3</sup>J.F. Estes, Attorney at Law, Speech to the Annual Mercury Business League Banquet, May 20, 1955.

<sup>4</sup>Sudduth, Horace, Speech to the 52nd National Negro Business League, Washington, D. C.



CHAPTER I

FORMS OF BUSINESS ORGANIZATIONS

1. Related Type and Size of Business - Legal Organization

Included in this study are six drug stores, fourteen grocery stores, one dry good store, one bakery, one dry cleaning business, and one cafe, which is a fair representation of the population according to tables 1 and 2. All of these establishments are the single proprietorship form of business organization. This is the most common form of business organization for our group within the state which is true for most small business units. This sample represents 4 per cent of the food groups and 7 per cent of the drug stores, based on the population in 1939 (see table 2).

The drug stores were brick constructed and most of the grocery stores were constructed with lumber. Many of these grocery stores were constructed on the side of the owner's home. The dry good store was a part of the owner's home. This owner also did private sewing for individual customers in addition to selling ready-made garments.

A. The Numbers and Kinds of Business

<u>Case Numbers</u>	<u>Kind of Business</u>	<u>Other Products or Related Services</u>
1	Drug Store	Cosmetics
2	Grocery Store	Socks, hosiery, and handkerchiefs

The Number and Kinds of Business (Continued)<sup>1</sup>

<u>Case Numbers</u>	<u>Kind of Business</u>	<u>Other Products or Related Services</u>
3	Grocery Store	Pants, shirts, underwear and delivery service
4	Grocery Store	Delivery service, gas, oil and coal
5	Dry Cleaner	Delivery Service
6	Dry Goods	Delivery service, individual sewing for customers, ladies, men & children clothes, drugs and cosmetics.
7	Grocery Store	Newspapers and Cosmetics
8	Grocery Store	-
9	Grocery Store	-
10	Grocery Store	Meat Market
11	Drug Store	Delivery service, toys, papers & magazines
12	Drug Store	Cosmetics, candy & hosiery
13	Grocery Store	Lunch service, meals, socks and handkerchiefs
14	Grocery Store	Meat market, cosmetics and delivery service
15	Grocery Store	Thread, cosmetics and delivery service

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<sup>1</sup>All data for this thesis, unless otherwise indicated, were secured by personal interviews with the owners of the businesses, with confidential questionnaires and verified by actual weekly purchase invoices, sale records, and/or accounting records when they were available. The stores were selected in the cities because of the geographical location of the cities studied. Some stores were selected near the central shopping district and some away from the central shopping district, so that fair representative information could be acquired.

## The Number and Kinds of Business (Continued)

<u>Case Numbers</u>	<u>Kind of Business</u>	<u>Other Products or Related Services</u>
16	Drug Store	Delivery service, greeting cards, notary public service and cosmetics
17	Drug Store	Delivery service and cosmetics
18	Bakery	Ice cream
19	Grocery Store	Delivery service, socks, handkerchiefs and cosmetics
20	Grocery Store	Delivery service, stockings, handkerchiefs and cosmetics
21	Grocery Store	-
22	Grocery Store	Shirts, belts, socks, underwear, toys, cosmetics and newspapers and magazines
23	Cafe	-
24	Drug Store	Delivery service, soft drinks, ice cream, magazines and newspapers

CHAPTER II  
METHODS OF FINANCING

According to W. J. Thompson, President of the Thompson Investment Company of Jackson, Mississippi, a real estate and industrial banking business, the corporate form of business is recommended because it would provide means whereby adequate concentration of capital could be accumulated, which is now essential for competition. These corporations, especially financial institutions, could give the necessary financial aid to properly organized establishments within the state.<sup>1</sup>

This observation is generally true, but the solution is not as simple as the statement. In order to utilize fully the advantages of the corporate form of business units, the owners must be highly trained in corporate law, finance, and business administration. Adequate capital, skill and earning capacity must also be substantially increased.

1. Sources of Funds For Beginning Capital

<u>Case Numbers</u>	<u>Completely Stocked*</u>	<u>Sources</u>	<u>Amount</u>	<u>Interest</u>
1	No	Savings	\$ 950	-
2	No	Savings	800	-

<sup>1</sup>Interview with W. J. Thompson, President of Thompson Investment Company, Jackson, Mississippi, April 21, 1956.

\*Owner's definition according to the variety of merchandise carried.

## Sources of Funds for Beginning Capital (Continued).

<u>Case Numbers</u>	<u>Completely Stocked</u>	<u>Sources</u>	<u>Amount</u>	<u>Interest</u>
3	Yes	Loan	6,000	6%
4	No	Savings	200	-
5	No	Relative Loan	100	-
6	No	Savings	150	-
7	No	Savings	400	-
8	No	Savings	300	-
9	No	Savings	30	-
10	No	- Purchased building on credit and paid for it from the proceeds from the sale of his farm. Merchandise was stocked on credit.		
11	Yes	Insurance Loan	4,000	No Report
12	No	Loan-Friend or Relatives	5,000	6%
13	No	No beginning cash - started business by purchasing on weekly terms.		
14	No	Savings	500	-
15	No	Savings	75	-
16	No	Loan (Did not report source)	3,000	-
17	Yes	Savings	250	-
18	No	Savings Loan(Did not list source of loan)	No Report	-
19	No	Savings	No Report	-
20	No	Savings	7,800	-
21	No	Savings	300	-

## Sources of Funds for Beginning Capital (Continued).

<u>Case Numbers</u>	<u>Completely Stocked</u>	<u>Sources</u>	<u>Amount</u>	<u>Interest</u>
22	No	Savings	200	-
23	No Report	Savings	300	-
24	No	Savings	1,000	-

The average investment in merchandise for grocery stores was \$1,600 and \$3,100 in real property, whereas the average investment in drug stores was \$2,700 for merchandise and \$3,500 in real property. The study indicates, upon finding presented later, that the original investment for grocery stores was inadequate for profitable operation.

## 2. Sources of Funds For Operation

<u>Case Numbers</u>	<u>Suppliers</u>	<u>Terms</u>	<u>Amount Supplied</u>
1	Wholesalers	7 days	100%
2	Wholesalers Farmers	30 days Cash	97% 3%
3	Wholesalers Farmers	7 days Cash	95% 5%
4	Wholesalers	Cash	100%
5	No Report	30 days	No Report
6	Wholesalers Manufacturers Retailers	2/10,n/30	75% 15% 10%
7	Wholesalers	7 days	100%
8	Wholesalers Farmers	7 days Cash	90% 10%
9	Wholesalers	7 days	100%

## Sources of Funds For Operation (Continued)

<u>Case Numbers</u>	<u>Suppliers</u>	<u>Terms</u>	<u>Amount Supplied</u>
10	Wholesalers		
11	Wholesalers	30-60 days	100%
12	Wholesalers	30 days	100%
13	Wholesalers	7 days	100%
14	Wholesalers	7 days	100%
15	Wholesalers	7 days	100%
16	Wholesalers and Manufacturers (No report about the terms of purchase)		Unknown
17	Wholesalers	30 days	85%
	Manufacturers	30 days	15%
18	Wholesalers	30 days	100%
19	Wholesalers	Weekly	100%
20	Wholesalers	Monthly	100%
21	Wholesalers	Weekly	100%
22	Wholesalers	7 days	100%
23	Wholesalers	Cash	100%
24	Wholesalers	45 days	50%
	Manufacturers	45 days	50%

## Summary:

	<u>Numbers</u>	
Weekly Purchases Terms:	12	50%
Cash Terms	2	8%
Thirty days or more	10	42%

Since weekly terms are equivalent to cash terms, a more comprehensive study is recommended to make inferences pertaining to the population.

The reason why most of the cases were buying on cash or weekly terms is because of inefficient accounting systems and the poor possibility for profits, especially for the grocery stores, and because many started with insufficient capital. According to table 2, the average amount of sales for the food group was \$1,653 in 1939, and \$7,400 for drug stores.

Answers received by interviews with owners about the advantages of cash and trade discounts indicated that: (1) most of the owners did not know about these advantages; and (2) they did not fully understand the methods for working cash and trade discount problems. Any increase in net profits by taking cash discounts should be realized because of their small amount of profit.

One factor that has an important influence on this phase of business is mathematics deficiency, as well as the lack of an effective high school business curriculum. Possibility for profits is also a significant reason why most are buying on cash or weekly terms.

An association of small retailers, organized with the owners serving as the required personnel to keep down excessive expenses, for quantity purchases to take advantage of cash and trade discounts for all association members could be a partial solution to aid the small retailer. Other small stores have used such methods as an aid in reducing purchase costs with profitable results.



CHAPTER III  
FINANCIAL DATA

1. Value of Property When Purchased (Cost)

Pertinent information about the ownership of business real property, expenses for license, taxes and the date when the owner entered business was asked in order to obtain a fair appraisal of the property in which the business was located. The results were as follows:

<u>Age of Owner (1955)</u>	<u>Case Number</u>	<u>Date Entered</u>	<u>Own</u>	<u>Property* Cost</u>	<u>Annual Rent</u>	<u>License Cost</u>	<u>Real Property Tax</u>
37	1	1952	No	\$ _____	\$420	\$ _____	
45	2	1952	No	_____	300	34.50	\$ _____
43	3	1955	No	_____	600	20.50	_____
87	4	1947	Yes	400	_____	2.50	No Report
50	5	1927	No	_____	900	_____	_____
62	6	1951	Yes	150	_____	2.50	4.50
60	7	1938	Yes	1,000	_____	21.50	No Report
	8	1954	No		360	31.50	
71	9	1954	Yes	1,700	_____	7.00	Exempted
66	10	1944	Yes	1,450	_____	7.50	No Report
58	11	1944	Yes	2,500	_____	32.00	No Report
32	12	1950	No	_____	900	25.00	_____
-	13	1946	Yes	750	_____	40.00	Unknown

\*Average cost of real property is \$3,000.

<u>Age of Owner (1955)</u>	<u>Case Number</u>	<u>Date Entered</u>	<u>Own</u>	<u>Property* Cost</u>	<u>Annual Rent</u>	<u>License Cost</u>	<u>Real Property Tax</u>
44	14	1947	Yes	1,000	_____	100.00	150
59	15	1950	Yes	1,800	_____	No Report	140
33	16	1951	Yes	Inheritance	_____	150.00	Unknown
51	17	1934	Yes	4,500	_____	25.00	No Report
50	18	1951	No	_____	600	17.00	_____
50	19	1949	No	_____	900	53.00	_____
84	20	1950	Yes	5,000	_____	40.00	20.00
36	21	1950	Yes	5,500	_____	30.00	No Report
53	22	1947	Yes	15,000	_____	20.00	_____
80	23	1952	Yes	255	_____	100.00	_____
58	24	1935	No		900	25.00	_____

The annual rent paid by the owners were not excessive and generally represented the rental value of property in such locations.

## 2. Other Balance Sheet Information

### Net Profits

(Net profits as used here are net profits before salaries)

<u>Case Number</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953*</u>
1	\$ _____	\$ -	\$1,296	\$1,000
2	950	975	1,000	1,000
3	No Report	-	-	2,000

\*Verified by the writer with sale records, receipts of expenses paid and incomes.

Other Balance Sheet Information (Continued)

<u>Case Number</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
4	_____	50	-	300
5	_____	-	-	2,386
6	600	1,000	2,000	3,500
7	Unknown	-	-	-
8	Unknown	-	-	-
9	-	-	-	100
10	Unknown	-	-	-
11	2,000	2,250	1,500	1,800
12	4,000	4,975	5,200	5,745
13	"Never accounted for any profits."			
14	463	400	476	487
15	Unknown (Based upon 2% of sales)	144	144	144
16	Unknown	-	-	-
17	1,500	2,000	2,000	2,000
18	-	-0-	-0-	-0-
19	Unknown	-	-	752
20	Unknown	-	-	-
21	385	525	775	-
22	No Report	-	-	-
23	-	-	400	-
24	<u>3,500</u>	<u>3,400</u>	<u>3,350</u>	<u>3,460</u>
Average Net Profits	1,532	1,092	1,649	1,756

Evidence indicates that the more experience the owners had, the more they realized the need for keeping accounts of net profits, and average net income increased accordingly.

Additional Investments

<u>Case Numbers</u>	<u>Name of Investments</u>	<u>Amount</u>	<u>Interest Rate Earned*</u>
1	None	-	-
2	None	-	-
3	Two Lots	\$5,600	6%
4	None	-	-
5	None	-	-
6	Two Houses	4,000	12%
7	None	-	-
8	None	-	-
9	None	-	-
10	None	-	-
11	Store and one house	16,000	No Report
12	Magnolia Mutual Insurance Co.	2,000	10%
13	Three Shares of Common Stock	30	-
14	None	-	-
15	None	-	-
16	None	-	-
17	Rental Property Bonds	25,000 1,000	3% 2%
18	None	-	-
19	None	-	-
20	Loan Rental Property	40,000	10%

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\*Interest rate computed and verified by the writer.

## Additional Investments (Continued)

<u>Case Numbers</u>	<u>Name of Investments</u>	<u>Amount</u>	<u>Interest Rate Earned*</u>
21	None	-	-
22	Rental Property	20,000	12½%
23	None	-	-
24	Rental Property	8,000	8%
	Stocks	16,000	6%

Summary	Number	Unweighted Average rate earned - 9% Per Cent
Additional Investments	9	37½%
No additional Investments	15	62½%

This information suggests either a lack of funds, which is indicated by the amount of investments and earnings; or a lack of knowledge of the various classifications of investments, (such as Domestic corporation securities, Federal government securities, political subdivision securities, and others). It also suggests the lack of knowledge about the rate of return on such securities.\*

A well-planned program among the small retailers themselves designed to obtain business information through investment magazines, investment companies and other investors could very well provide a way to increase their interest and knowledge of investments.

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\*According to this survey, there is more evidence supporting the lack of funds for investment in such securities.

This program could encourage members to subscribe to magazines relating to small retailers in order that the retailers will be better informed about the variety of merchandise, as well as the quality and prices. Because of the small number of samples included in this survey, further study with a larger number of samples which will represent a normal distribution to fully support this study is recommended by the writer.

A well-planned program of the business owners and colleges whereby articles, books and material from the U.S. Government Printing Office on small businesses could be distributed to these owners would provide immediate aid in management. Senior colleges within the state could give periodical managerial courses to the owners in high schools within the state. These courses should be taught by the college business staff. Summer courses at the college could be designed primarily for owners of these small business units, as a partial solution.

"DID YOU KEEP A RECORD OF THE FOLLOWING ACCOUNTS FOR 1953?"

<u>Case Numbers</u>	<u>Pur-chases</u>	<u>Sales</u>	<u>Adver-tising</u>	<u>Insur-ance</u>	<u>Sup-plies</u>	<u>Repairs</u>	<u>Payroll</u>	<u>Real Property Taxes</u>
1	Yes	Yes	No	Yes	No	No	No	No
2	Yes	Yes	Yes	Yes	Yes	No	Yes	No
3	Yes	Yes	Yes	Yes	Yes	Yes	No	No
4	No	No	No	No	No	No	No	No
5	No	No	No	No	No	No	No	No
6	Yes	Yes	Yes	Yes	Yes	No	No	Yes
7	No	No	No	No	No	No	No	No
8	No	No	No	No	No	No	No	No
9	No	No	No	Yes	Yes	No	No	No
10	Yes	Yes	No	Yes	Yes	Yes	No	Yes
11	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Yes	Yes	No	Yes	No	No	No	Yes
14	Yes	Yes	No	No	No	No	No	Yes
15	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes

"DID YOU KEEP A RECORD OF THE FOLLOWING ACCOUNTS FOR 1953?" (Continued)

<u>Case Numbers</u>	<u>Pur-chases</u>	<u>Sales</u>	<u>Adver-tising</u>	<u>Insur-ance</u>	<u>Sup-plies</u>	<u>Repairs</u>	<u>Payroll</u>	<u>Real Property Taxes</u>
16	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
17	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
18	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
19	Yes	Yes	No	No	No	No	No	No
20	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
21	No	No	No	No	No	No	No	No
22	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
23	Yes	Yes	Yes	Yes	Yes	No	Yes	No
24	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

<u>Summary (number)</u>	<u>Pur-chases</u>	<u>Sales</u>	<u>Adver-tising</u>	<u>Insur-ance</u>	<u>Sup-plies</u>	<u>Repairs</u>	<u>Payroll</u>	<u>Real Property Taxes</u>
Kept								
account of	18	18	12	17	14	11	9	12
No account	6	6	12	7	10	13	15	12
Percent:								
Kept								
account of	75%	75%	50%	71%	58%	45%	37½%	50%
No account	25%	25%	50%	29%	42%	55%	62½%	50%

More owners found it necessary to keep account of expenditures and receipts in 1953 than were in the year they started business. Some of the disadvantages of learning by experience could have been eliminated if business training or bookkeeping and other business courses had been an integral part of their high school or college program.



"IF YOU KEPT AN ACCOUNT OF THESE ITEMS, THEN STATE THE AMOUNT FOR THE FIRST YEAR  
OF OPERATION"

<u>Case Numbers</u>	<u>Pur-chases</u>	<u>Sales</u>	<u>Adver-tising</u>	<u>Insur-ance</u>	<u>Sup-plies</u>	<u>Repairs</u>	<u>Payroll</u>	<u>Real Property Taxes</u>
1	-	\$6,000	-	-	-	-	-	-
2	Unknown	-	-	-	-	-	-	-
3	Unknown	-	-	-	-	-	-	-
4	Unknown	-	-	-	-	-	-	-
5	Unknown	-	-	-	-	-	-	-
6	\$800	1,800	25	55.20	30	-	-	-
7	Unknown							
8	No Record							
9	No Record							
10	Unknown							
11	Unknown							
12	24,000	36,000	150	97.40	157.00	6,000	95.70	197.40
13	200	Unknown	-	-	-	-	-	-
14	4,000	4,800	-	-	-	-	-	150.00
15	566	720	-	-	-	-	-	-
16	Unknown							
17	13,000	18,000	-	-	-	-	-	-

"IF YOU KEPT AN ACCOUNT OF THESE ITEMS, THEN STATE THE AMOUNT FOR THE FIRST YEAR OF OPERATION" (Continued)

<u>Case Numbers*</u>	<u>Pur- chases</u>	<u>Sales</u>	<u>Adver- tising</u>	<u>Insur- ance</u>	<u>Sup- plies</u>	<u>Repairs</u>	<u>Payroll</u>	<u>Real Property Taxes</u>
18	15,000	14,000	90	26.50	120	900	-	-
19	19,000	24,000	-	-	-	-	-	-
20	9,260	12,000	-	450.00	65.00	-	-	-
21	1,400	2,600	20	-	-	-	-	-
22	102,000	120,000	1,510	-	-	3,800	-	-
23	300	1,000	25	50.00	500.00		100.00	-
24	Unknown							

Summary:

Kept  
Account  
Of

12	12	5	5	5	2	3	2
50%	50%	21%	21%	21%	9%	13%	9%

No Account  
Of

12	12	19	19	19	22	21	22
50%	50%	79%	79%	79%	91%	87%	91%

\*Most of the owners used the single entry system to record sales, expenses, and purchases which was not recorded promptly. As a result, the accounts were not always accurate. College graduates used the double entry system for their records, and their accounts were more accurate, especially drug store owners.

In order for a business to operate efficiently and successfully, a manager or owner should have knowledge about purchases, sales and expenses to adequately appraise the general progress of the business. It is essential that an account of these items, as well as others, be kept. No adequate appraisal by the owners of net income can be made unless adequate records are kept. The percentage of accounts not kept shows a lack of sufficient business training by the owners involved, and the lack of funds for the employment of bookkeepers.

CHAPTER IV  
GENERAL MANAGEMENT

In order to determine how thoroughly informed the owners were about current business events, they were asked the name of the business publications received.

<u>Case Numbers</u>	<u>Business Publications*</u>	<u>Net Profit 1953</u>
1	None	\$1,000
2	None	1,000
3	None	2,000
4	None	300
5	Nations Business Cleaners' Guide	2,386
6	South-Western Retailer	3,500
7	None	-
8	None	-
9	None	100
10	None	-
11	Drug Magazine	1,000
12	NARD Journal, Nations Business, American Druggist, Modern Pharmacy	5,745
13	None	-
14	None	487
15	None	144
16	NARD Journal, American Druggist, National Ph. Journal	-
17	Dunn and Bradstreet Review, U.S. Business, Changing Time	2,000

\*Publications were checked by the writer.

<u>Case Numbers</u>	<u>Business Publications</u>	<u>Net Profit 1953</u>
18	None	-0-
19	None	752
20	None	-
21	None	-
22	Newsweek	-
23	None	-
24	Fortune, Nations Business	3,460

## Summary:

	<u>Number</u>	<u>Per cent</u>
No. Business Publications	16	67%
One Business Publication	3	13%
Two or More Business Publications	5	20%
Total	24	100%

Business publications could serve as sources of information relating to current trends in prices based upon wholesale quoted prices, as well as the changes in prices according to wholesale index numbers. Articles relating to style changes, business policies and internal control by accounting could also very well be utilized with beneficial results. The average income for owners receiving business publications was \$3,616 against \$726 for those not receiving business publications. This supports the findings that those subscribing to business publications were better informed about current market conditions. The magazines evidently were being used as a source of self-education in business procedures.

## A. THE PROCEDURE FOR SELECTING EMPLOYEES\*

<u>Case Numbers</u>	<u>Procedure For Selecting Employees</u>
1	Owner is the only employee
2	Personal Interview
3	Personal Interview
4	Personal Interview
5	Personal Interview
6	Personal Interview
7	No Employees
8	No Employees
9	Owner is the only employee
10	Owner and wife are the only employees
11	Personal Interview
12	Through high schools and colleges, By contact through friends and relatives, Personal Interviews.
13	Personal Interview
14	No Employees
15	Personal Interview
16	Personal Interview
17	Personal Interview
18	By contact through friends and relatives
19	By contact through friends and relatives
20	No procedure for selecting employees

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\*This question was asked to determine if the owners were familiar with personnel methods of selecting workers and to introduce the various means of selecting employees.

## THE PROCEDURE FOR SELECTING EMPLOYEES (Continued)

<u>Case Numbers</u>	<u>Procedure For Selecting Employees</u>
21	No procedure for selecting employees
22	By contact through friends and relatives
23	No Report
24	Through their application letters

## Summary:

	<u>Number</u>	<u>Per cent</u>
Personal interviews	11	45%
By Contact-Friends and relatives	4	17%
Through high schools and colleges	1	4%
No Procedure	9	37.5%
Through Application Letters	1	4%

Since the size of the business units were small, the method of personal interviews as a means of selecting employees is the best method that could be used. As the business progresses, other methods, such as high schools and colleges, and application letters, along with the personal interview, may be used.

## (a) The Number and Classification of Employees Selected

<u>Case Numbers</u>	<u>Position</u>	<u>Relationship to Owner</u>	<u>Full or Part Time</u>	<u>Monthly Salary</u>
1	No Employees			
2	Manager	None	Part time	\$75.00

## The Number and Classification of Employees Selected (Continued)

<u>Case Numbers</u>	<u>Position</u>	<u>Relationship to Owner</u>	<u>Full or Part Time</u>	<u>Monthly Salary</u>
3	Bookkeeper Salesman	Owner Wife	Part time	No Salary
4	Bookkeeper (No training in accounting)	None	Part time	50.00
5	Bookkeeper Four Press- ors Checker Checker Cleaner	Wife None None None	Part time Full time Full time	100.00 140.00 (2) 160.00 (2) 160.00 100.00 160.00
6	Bookkeeper One Salesman	Owner None	Full time Part time	10.00
7	No Employees			
8	Salesman	Owner	Full time	No Salary
9	No Employees			
10	Saleswoman	Wife	Part time	No Salary
11	Saleswoman	Wife	Part time	No Salary
12	Bookkeeper Salesman (1) Delivery- man (2)	Owner None None	Full time Full time Full time	200.00 80.00
13	No Employees	Owner takes care of business		
14	No Employees			
15	Salesman	Wife	Part time	No Salary
16	Bookkeeper Salesmen(2)	Owner None	(1)Full time (1)Full time	60.00 60.00
17	Bookkeeper (1) Manager	None Owner	Part time	210.00



## The Number and Classification of Employees Selected (Continued)

<u>Case Numbers</u>	<u>Position</u>	<u>Relationship to Owner</u>	<u>Full or Part Time</u>	<u>Monthly Salary</u>
18	Bookkeeper Salesmen (2)	Owner None	Full-time	\$28.00
19	Manager Saleswoman	Owner Niece	Full-time	60.00
20	Bookkeeper Saleswomen(2)	Owner Wife and daughter		Share profit
21	Bookkeeper (1) Manager	Wife	Full-time	Share profit
22	Bookkeeper Butcher Utility Man (1) Manager	Son None None Son	Full-time Full-time Full-time Full-time	417.50 200.00 130.00
23	None			
24	Manager Salesmen(2)	Owner None	Full-time Full-time	80.00

Summary:*	Bookkeeper	Manager	Salesman	Others
Number	12	6	11	2
Per cent	50%	3%	45%	8%

Although the units were small, every business owner who intends for his establishment to progress should employ at least a part-time bookkeeper if he does not know how to keep proper accounts himself. This is especially true if the business units are to be studied for earning capacity, as a basis for loans and tax purposes.

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\*Refer to tables 1 and 2 for further information on the population of the state and/or nation in 1939.

"If you do not have a full or part-time bookkeeper, state how you get your financial statements prepared for tax purposes and to secure business or personal loans."

<u>Case Numbers</u>	<u>Owner's Statement</u>
1	"I prepare them myself"
2	No Report
3	"Public C.P.A."
4	"Does not make any financial statements"
5	No Report
6	Owner prepares all tax returns and financial statements.
7	No Report
8	"Wife keeps records of sales for sales tax purposes."
9	Owner prepares own tax returns.
10	"Haven't made enough profits to pay income taxes."
11	Owner prepares own returns.
12	Owner keeps own records.
13	Local tax collector prepares state tax returns.
14	Owner prepares tax returns.
15	Owner prepares own tax reports.
16	Public Accountant prepares tax returns.
17	Owner prepares own income tax returns.
18	"Notary Public does tax returns."
19	Owner prepares financial statements.

<u>Case Numbers</u>	<u>Owner's Statement</u>
20	His daughter and a lawyer sometimes prepare financial statements.
21	Wife prepares financial statements.
22	Son prepares financial statements.
23	No Report.
24	Owner prepares financial statements.

It is obvious that if the owners are not preparing all of their reports for tax purposes, they are not preparing budgets of annual expenditures and receipts to serve as a guide for future operations and progress. This will have to be done to determine if the business is progressing or declining.

(b) Procedure used in supervising employees.

This question was asked in order to determine the line of authority used by the owner and especially to ascertain if the owners were familiar with the various forms of organizations for managerial control such as (1) line, (2) line and staff, (3) functional, and (4) committee.

<u>Case Number</u>	<u>Method of Managerial Control</u>
1	No Report
2	Give orders directly to workers.
3	Give orders directly to workers.
4	Give orders directly to workers.
5	Give orders directly to workers.
6	Give orders directly to workers.

<u>Case Number</u>	<u>Method of Managerial Control</u>
7	No Report
8	Give orders directly to workers.
9	Does not hire any employees.
10	No Report
11	Give orders directly to workers.
12	Give orders directly to workers.
13	No Report.
14	No Report.
15	Give orders directly to employees.
16	Give orders directly to employees.
17	Give orders directly to employees.
18	Give orders directly to employees.
19	Give orders directly to employees.
20	Give orders directly to employees.
21	Give orders directly to employees.
22	Give orders directly to employees.
23	No Report.
24	Give orders directly to employees.

Summary:	<u>Number</u>	<u>Per cent</u>
Line Method	17	71%
No Report	$\frac{7}{24}$	$\frac{29\%}{100\%}$

Even though evidence here indicates a lack of knowledge of other methods used as a means of managerial control of

the business was not large enough in terms of sale volume to warrant other methods, each owner needs to have a working knowledge of these methods, as a tool for expansion when adequate capital is made available.

### CONTROL POLICY

Credit procedure to customers. If you extend credit to customers, state how long you give them to repay.

<u>Case Numbers</u>	<u>Extend Credit</u>	<u>Days</u>	<u>Terms</u>	<u>Discount</u>
1	Yes	30		0
2	Yes	7		0
3	Yes	30		0
4	Yes	7-30		0
5	Yes	30		0
6	Yes	30		2% to 10%
7	Yes	30		0
8	Yes	7		0
9	Yes	7		0
10	Yes	77		0
11	Yes	30		0
12	Yes	30		25%
	(Allow 25% discount only to Physicians)			
13	Yes	7-30		0
14	Yes	30		0
15	Yes	30		0
16	Yes	30		0

<u>Case Numbers</u>	<u>Extend Credit</u>	<u>Days</u>	<u>Terms</u> <u>Discount</u>
17	Yes	30	0
18	No	-	-
19	Yes	7-30	2%
20	Yes	7	(Amount not reported)
21	Yes	30	0
22	Yes	7-30	0
23	Yes	30	Yes (Per cent of discount not reported)
24	Yes	30	0

<u>Summary:</u>	<u>Number</u>	<u>Per cent</u>
Do extend credit	23	96%
Do not extend credit	1	4%
Extend weekly credit terms	5	21%
Extend monthly credit terms	19	79%
Allow discounts	5	21%
Do not allow discounts	19	79%

Forty-five per cent of the units studied were purchasing on weekly or cash terms and selling on terms up to 30 days. The owners, however, were somewhat forced into selling on these terms. This was true because of the small volume of sales, and credit terms were necessary to maintain their sales volume. Such a policy could very easily lead to a shortage of funds necessary to replace inventory.

## OPERATING INFORMATION

Amount of insurance carried on buildings and merchandise. This information was requested in order to determine if the owner could continue to operate his business after a substantial or total loss by fire or some other act of God.

<u>Case Numbers</u>	<u>Amount on Building</u>	<u>Amount on Merchandise</u>
1	None	None
2	None	\$1,500
3	None	6,000
4	None	None
5	-	6,000
6	\$4,500	1,500
7	(Yes-Amount not reported)	None
8	No Report	None
9	1,500	None
10	2,500	1,000
11	2,000	1,500
12	(Yes-Amount not reported)	8,000
13	3,000	700
14	1,500	800
15	2,000	None
16	20,000	3,000
17	12,000	2,000
18	No Report	1,500
19	No Report	1,000

<u>Case Numbers</u>	<u>Amount on Building</u>	<u>Amount on Merchandise</u>
20	\$5,000	\$1,000
21	Unknown	None
22	10,000	5,000
23	No Report	None
24	No Report	9,000
Summary:	<u>Number</u>	<u>Per Cent</u>
Carried insurance on merchandise	16	67%
Did not carry insurance on merchandise	8	33%
Average insurance carried on merchandise of business reporting	\$4,594.00	

The dollar amount of insurance carried on merchandise and buildings was sufficient. The number of business carrying insurance on merchandise was insufficient in quantity. If the owners, as indicated here, can see the importance of carrying adequate insurance, perhaps by reading various business periodicals and business books, they will realize the importance of keeping proper accounting records. A small Business Administration Managerial Program within the area could very well be highly beneficial. The reason why the number carrying insurance on merchandise was not adequate was because of insufficient working capital of the business units studied. Only the most essential expenditures could be paid because of the lack of sufficient working capital.



CHAPTER V  
MERCHANDISING

Procedure for marking up merchandise. Each owner was interviewed in detail about the procedure in order to determine the policy for marking up merchandise, and if the owners were familiar with the various methods for pricing merchandise for resale.

<u>Case Numbers</u>	<u>Price Line*</u>	<u>Mark-Up-* On Retail</u>	<u>Mark-Up-* On Cost</u>	<u>Merchandise On Hand (1955)</u>
1	x			\$1,000
2	x		x	800
3	x	x		4,000
4	x			2,000
5	x			-
6	x		x	3,000
7	No Report			-
8	x		x	Unknown
9	No Report			-
10	x		x	550
11			x	2,000
12			x	8,000
13	x			650
14	x			350

---

\*Price line as used here means the suggested retail price on the article quoted by the manufacturer to the retailer. There was no uniform mark-up on all articles or merchandise.

<u>Case Numbers</u>	<u>Price Line</u>	<u>Mark-Up- On Sale</u>	<u>Mark-Up- On Cost</u>	<u>Merchandise On Hand (1955)</u>
15	x		x	400
16			x	3,000
17	x	x	x	4,000
18	x		x	700
19	x		x	-
20	x		x	550
21			x	Unknown
22			x	3,000
23		-	x	500
24	x	-	x	8,000

<u>Summary:</u>	<u>Number</u>	<u>Per Cent</u>
Use a price line	16	67%
Mark-Up-On Sales	2	8%
Mark-Up-On Cost	14	58%
No Report	2	8%

Evidence here indicates that the owners are willing to accept the wholeslaers' suggested retail price rather than utilize some of the other methods for pricing merchandise. Competitive prices may have been a factor that caused most owners to use the suggested price line for their merchandise. Business mathematics deficiency was also a factor affecting the procedure for pricing merchandise.

#### 4. Merchandising Policy

##### A. Procedure used to clear excess inventory

"What policy do you use to clear excess merchandise?"

<u>Case Numbers</u>	<u>Classification of Merchandise</u>	<u>Clearance Policy</u>	<u>Annual Inventory Turnover</u>
1	Medium price line	No policy	-
2	Medium price line	Reduce price	2.3
3	Medium price line	Seasonal Sale	1.2
4	Medium price line	No policy	1.0
5	No Report	-	-
6	Medium price line	Seasonal Sale Reduce Selling Price Mark-down for 1953	1.4 10%
7	No Report	-	-
8	Medium price line	No Policy	-
9	No Report	-	-
10	Medium price line	No policy	8
11	Medium price line	Reduce Price	5
12	Medium price line	Return to Wholesaler	4
13	Medium price line	No Policy	8
14	Medium price line	No Policy	13
15	Medium price line	Sale at a discount	1.8
16	Low and medium price	Reduce Price	4.0
17	Medium price line	Reduce Price	6.0
18	High price line	No Policy	1.0
19	Medium price line	Reduce Price	1.0

<u>Case Numbers</u>	<u>Classification of Merchandise</u>	<u>Clearance Policy</u>	<u>Annual Inventory Turnover</u>
20	Medium price line	Clearance Sale	22.0
21	Medium price line	Seasonal Sale	-
22	Low and medium price	Reduce Price	-
23	Low price line	No policy	-
24	Medium price line	No policy	4

Other questions relating to merchandise policies were the procedure by which owners determined the amount to be ordered, the dollar amount ordered, and the intervals between orders.

Even though most owners classified their merchandise as "medium", the quality of merchandise based upon the retail price is below medium. The clearance policy here was not adequate because no method was utilized to determine what brands and classes of goods were moving or not moving fast enough for profitable operation. The inventory turnover for grocery stores was far below national averages. The drug stores inventory turnovers were within the national averages for efficiently operated drug stores. Location was also a factor affecting the slow rate of turnover for grocery stores.

<u>Case Numbers</u>	<u>How Do You Determine The Amount To Be Ordered</u>	<u>How Often Do You Plan Orders?</u>	<u>Typical Dollar Val- ue of Order</u>
1	No Procedure	Weekly	-
2	Check items weekly	Weekly	\$200.00*
3	By the turnover	Weekly	500.00*
4	No Procedure	Weekly	71.00*
5	No Report	-	-
6	From previous sales	Weekly	10 - 75
7	No Report	-	-
8	He does not count his stock	Get amount when stock is low(irregular)	3 - 30
9	No Report	-	-
10	Just take an inven- tory of what I have and what I need.(count stock once a year.)	Weekly	90.00
11	By checking stock when necessary	Weekly	-
12	By previous sales	Weekly	-
13	From past experience according to ability to pay	Weekly	30*
14	What he thinks is needed	Weekly	65*
15	From past experience	15 days	5
16	-	-	Up to \$200.00*
17	Check record about needs "Want book system"	Daily	To 20.00

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\*Verified by purchase receipts by the writer.

<u>Case Numbers</u>	<u>How Do You Determine The Amount To Be Ordered</u>	<u>How Often Do You Plan Orders?</u>	<u>Typical Dollar Val- ue of Order</u>
18	From previous invoices	Daily	To 25.00
19	Past experiences	Weekly	30.00*
20	Keep memo pad of what is needed	Daily	8.00*
21	By observation	Weekly	85.00
22	Observation	15 days	2,000 weekly*
23	When he is "near out"	Weekly	100.00*
24	Previous monthly sales	Weekly	600.00*

One reason for the slow rate of turnover of inventory is because no organized procedure was made to ascertain customers' needs nor to determine how fast various brands were moving.

## 5. Advertising

### A. Display and Advertising.

What method of advertising do you use to inform customers about your merchandise?

<u>Case Numbers</u>	<u>Net Profits 1953</u>	<u>Advertising Method</u>
1	1,000	No Method
2	1,000	Personal letters and window displays
3	2,000	Radio and personal letters and hand-bills
4	300	No advertising method

\*Verified by purchase receipts by the writer.

<u>Case Numbers</u>	<u>Net Profits</u>	<u>Advertising Method</u>
5	2,386	Window Displays
6	3,500	Personal letters, handbills, and window displays
7	-	Newspapers and Personal letters
8	-	No advertising method
9	100	No advertising method
10	-	No advertising method
11	1,800	Personal Letters
12	5,745	Radio, newspapers, personal letters, handbills and window displays
13	-	No advertising method
14	487	Window displays
15	144	Window displays
16	-	Radio, newspaper and personal letters
17	2,000	Radio, newspaper and personal letters
18	-0-	Newspapers
19	752	Newspapers and window displays
20	-	Handbills and window displays
21	-	Radio, handbills and window displays
22	-	Radio, newspaper, handbill, and window displays
23	3,400	Newspapers, match boxes and combs.
24	3,400	Radio, newspaper, handbills and window displays

## Summary:

Advertising Method	Number of Businesses Using Method	Per Cent of Businesses Using Method
Radio	7	28%

	Number of Businesses Using Method	Per Cent of Businesses Using Method
Newspapers	9	38%
Personal Letters	7	29%
Handbills	7	29%
Window Displays	10	52%
Others	1	4%
No Advertising Method	5	21%

Even though most of the owners used some method of advertising, the value of such advertising, as an aid in increasing sales, cannot be fully realized and justified until and unless the owners keep accurate accounts of the cost. In all likelihood newspapers and radios were not utilized fully enough by all owners to produce effective results.

Net income for 1953 was higher for those using both newspapers and the radio to inform customers about their products. Those who were not using advertising also had less education and their income was lower.

The lack of sufficient working capital for expenditures is also a significant reason why advertising methods were not being used more intensively.



## CHAPTER VI

## TRAINING OR EDUCATION OF OWNERS

The following information was obtained regarding education and business training of the owners.

<u>Case Number</u>	<u>Attended College</u>	<u>Highest Grade Completed</u>	<u>Net Profits 1953</u>	<u>Business Course Taken</u>
1	Yes		1,000	Business Courses
2	No	12th	1,000	None
3	No	Business School	2,000	Bookkeeping
4	No	8th	300	None
5	No	12th	2,386	None
6	Yes	College	3,500	Business Courses
7	Yes	College	-	Business Courses
8	No	4th	-	None
9	No	3rd	100	None
10	No	8th	-	None
11	No	Normal	1,800	None
12	Yes	B.S. Pharmacy	5,745	None
13	No	6th	-	None
14	No	8th	487	None
15	No	4th	144	None
16	Yes	B.S. Pharmacy	-	Drug Store management & accounting
17	Yes	Pharmacy	2,000	None
18	Yes	College	-0-	None
19	No	8th	752	None
20	No	4th	-	None

<u>Case Number</u>	<u>Attended College</u>	<u>Highest Grade Completed</u>	<u>Net Profits 1953</u>	<u>Business Course Taken</u>
21	Yes	College	-	Business Courses
22	No	12th	-	None
23	No	12th	-	None
24	Yes	Pharmacy	3,400	None
<u>Summary:</u>		<u>Number</u>	<u>Per Cent</u>	<u>Average Net Profit</u>
Attended College		9	37½%	\$3,129
Have not attended college		15	62½%	896
Have not taken business courses		17	71%	1,646
Have not completed high school		9	37½%	409
Have taken business courses		7	29%	2,167

Average grade completed in school, other than college graduates and those who completed what is called a "Normal School", is 7.7 years of training.

A high porportion of increase in net profits was reported by those with more education. This evidence warrants a more comprehensive study with a larger number of samples.

Other factors, such as subscriptions to business publications, the amount of initial investment, location, customers' loyalty, and the amount of working capital, also have a significant affect on the increase in net profit.

## PREVIOUS BUSINESS EXPERIENCE AND FAMILY QUALIFICATIONS

<u>Case Numbers</u>	<u>Previous Business Experience of Owner</u>	<u>Qualifications of Family Members Should Owner Become Disabled</u>
1	None	None
2	None	None
3	Yes - Grocery store	Two children in college
4	None	Children have high school and college training
5	None	Yes, did not state the qualifications
6	Yes sewing	Yes, children have high school and college training
7	(Yes) Business Course	Wife has qualifications
8	None	Daughter - college graduate (Home Economics)
9	(Yes) Operated a grocery store for another owner	None
10	None	Yes, did not state qualifications
11	None	Yes, college training
12	Served as apprentice in Drug Store	Wife with aid of a pharmacist
13	None	Son is a high school graduate (No training in business)
14	Clerk in Grocery Store	Yes - Practical experience in Service Station
15	Worked as Upholster	Yes - Practical experience as salesman
16	Resturant and hotel worker	None

<u>Case Numbers</u>	<u>Previous Business Experience of Owner</u>	<u>Qualifications of Family Members Should Owner Become Disabled</u>
17	None	Son in college studying pharmacy
18	Baking experience with white Bakery	Yes - Brother has forty years experience in baking business
19	None	Husband and daughter has experience in some business
20	Operated a store for 35 years before present business	Wife and daughter has experience in some business
21	Worked in grocery store	Wife has experience in operating
22	None	Yes - A son studied at Tuskegee
23	None	None
24	Manager of Drug Store	None

Summary:	<u>Number</u>	<u>Per Cent</u>
Owners with previous experience	12	50%
No previous experience	12	50%
Family members with qualifications	18	75%
Family members without qualifications	6	25%

This indicates that 75 per cent of the businesses can probably continue if the present owner becomes disabled. In

most cases close relatives were better educated than the owners, especially their children, because most had completed high school.

## CHAPTER VII

Essentials for Organization Progress and Survival

The following information was obtained from the owners as to how improvement could be made by business education.

<u>Essentials*</u>	<u>Number Reported</u>	<u>Per Cent Reported</u>
1. Need more training in business mathematics	18	75%
2. Need more practical experience	22	92%
3. Need one, two, three, or four years of business training		
One year <u>1</u> two years <u>7</u> three years <u>2</u> four years <u>8</u>		
Per cent <u>4%</u> <u>29%</u> <u>8%</u> <u>33%</u>		
4. Need more training in bookkeeping, management, taxation, and business law.	20	83%
5. Need more beginning capital	16	67%
6. Need more operating capital	11	46%
7. Need to purchase more on credit	2	8%

All owners because of their experience clearly recognize the need for further training in business essentials, as a requirement for profitable operation, along with some practical experience. Their opinion here should be considered as significant as a basis for planning secondary business programs within the state. About two years of bookkeeping, one year of business mathematics, one-half year of business law, one-half year of salesmanship, and training in the secretarial subjects on the high school level would be an adequate program.

The primary reason why they did not favor purchasing

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\*Owners' opinion.

on credit were because of (1) the poor possibility for profits; (2) relative poor credit standing; (3) poor accounting systems; and (4) the relative improminence of the business establishments.

Most of the owners (92%) did not favor purchasing on credit. Their reason for this cautious attitude was indicated in the following statements concerning purchases of merchandise on account.

Statement by Owners

- |                   |   |
|-------------------|---|
| 1. Case Number 10 | "Should see your way out before buying on credit."                          |
| 2. Case Number 17 | "Don't go too far."   |
| 3. Case Number 18 | "If you use credit you may buy too much unnecessary merchandise."           |
| 4. Case Number 19 | "Need credit for reference only."   |
| 5. Case Number 22 | "You need to carry a full stock of merchandise and a modern type business." |
| 6. Case Number 24 | "Credit may lead to overstocking."  |

The primary reason why most owners were not purchasing on credit was because of the lack of sufficient security and poor earning potential, as well as an inadequate or no accounting system for each unit.

Analysis of Factors Pertaining

to Business Locations, Income and Expenses

1. Basis used in selecting business location.

State the basis you used in selecting your present business location which you believed were the important factors

in making your business profitable.

<u>Case Number</u>	<u>Basis*</u>
1	Trend of population moving in this direction and it is a good community.
2.	Corner location, good community, and the population is moving in this direction.
3	Convenient to or near shopping area. Good community because the trend of population is moving in this direction.
4	Busy section and busy street.
5	Convenient to or near shopping area, busy section and busy street.
6	Wanted a hobby as a dress shop.
7	Convenient to or near shopping area, corner location.
8	Just bought the lot because it was vacant.
9	Convenient to or near shopping area, busy section and busy street, corner location.
10	Just was living on the property and thought he could do good.
11	Good community to or near central shopping area, busy section and busy street and corner location.
12	Convenient to or near central shopping area, busy section and busy street and corner location.
13	Believed it was a bargain.
14	Busy section and busy street.
15	Believed it was a bargain because it "cut down expense".
16	Convenient to or near central shopping area.

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\*Owner's stated reasons for selecting the location.



<u>Case Number</u>	<u>Basis</u>
17	Busy section and busy street, corner location.
18	Only place he could find.
19	Convenient to or near shopping area Convenient to or near transportation facilities, Corner location, good community because the trend of population is moving in this direction
20	Corner location and new community which shows the possibility for growth.
21	Convenient to or near central shopping area, busy section and busy street.
22	Already owned property. Corner location and good community because the trend of population is moving in this direction.
23	Busy section, corner location, good community and the trend of population is moving in this direction.
24	Convenient to or near the central shopping area, busy section and busy street.

Evidence here shows that the owners have good reasons for the selection of business locations with few exceptions.

## 2. Distance From the Central Shopping Center

No definite plan such as the pedestrian count was made in selecting the locations. Other factors, in addition to those stated, had a more positive influence on the selection of the locations, such as the ownership of property in the general area.

Distance (In Blocks)	Number of Businesses	d'	Average Income (1953)	fd'
Under 1	3	-7	\$4,602	-21

Distance (In Blocks)	Number of Businesses	d'	Average Income (1953)	fd'
1 but less than 3	4	-6	1,623	-24
3 but less than 5	0	-5	No Report	0
5 but less than 7	1	-4	No Report	-4
7 but less than 9	2	-3	3,500	-6
9 but less than 11	3	-2	908	-6
11 but less than 13	2	-1	487	-2
13 but less than 15	2	0	4,650	0
15 but less than 17	1	1	No Report	1
17 but less than 19	1	2	No Report	2
19 but less than 21	1	3	775	3
21 but less than 23	0	4	No Report	0
23 but less than 25	0	5	No Report	0
Over 25	$\frac{3}{23}$	6	148	$\frac{18}{-57}$

#### A. Mean and Model Distances

Mean distance from shopping center

$$\bar{x} = 14 - \frac{57}{23} \times 2 = 9$$

#### B. Median and quartile distance

$$\text{Median distance} = 9 + \frac{11.5 - 10}{3} (2) = 10 \text{ blocks}$$

#### 3. Analysis

According to the information obtained from the sample, the average Negro business is located nine (9) blocks from

the central shopping center.\* One-fourth of Negro businesses are located within or up to 2.4 blocks from the central shopping area. One-half of the establishments are located from 2.4 to 15.5 blocks from the central shopping area.

The average income, as indicated by the sample, tends to increase as the establishments move nearer the central shopping center, and decrease according to the distance away from the central shopping area, based upon the average income as reported.

A. A comparison of the mean profits of drug stores and grocery stores as reported for 1953.

GROCERY STORES

<u>Case Numbers</u>	<u>Net Profits**</u>	<u>Net Profit Squared</u>
2	\$1,000	\$1,000,000
3	2,000	4,000,000
4	300	90,000
7	No Report	-
8	No Report	-
9	100	10,000

\*A commercial central location where the major volume of business is transacted within a given city, town, or community. Population: Tupelo, 11,527; Columbus, 17,172; Meridian, 41,893; Clarksdale, 16,539; New Albany, 3,680; Winona, 3,441; and Jackson, Mississippi, 98,271. 1. Case 6.

\*\*See Table 1 and 2 for sales volume. When net profits is reported in even \$1000 and \$100 amounts, it is estimated from the best records available of invoice and sale receipts.

<u>Case Numbers</u>	<u>Net Profits</u>	<u>Net Profit Squared</u>
10	No Report	-
13	No Report	-
14	487	237,169
15	144	20,736
19	725	525,625
20	No Report	-
21	No Report	-
22	No Report	-
		\$5,883,530

Total Net Income as reported \$4,756

Average Income as reported\* 679.43

$$\sqrt{\frac{5,883,530}{7} - \frac{(4,756)^2}{7}} = \sqrt{840,504 - (679)^2} = \sqrt{379,463}$$

615.53 or there was a standard amount by which owners of grocery stores net income varied from about \$700 by as much as \$600.

#### DRUG STORES

<u>Case Numbers</u>	<u>Net Profits</u>	<u>Net Profit Squared</u>
1	\$1,000	\$1,000,000
11	1,800	3,240,000
12	5,745	33,005,025
16	No Report	-

\*See Tables 1 and 2 for volume of sales for the population in 1939.

<u>Case Numbers</u>	<u>Net Profits</u>	<u>Net Profit Squared</u>
17	2,000	4,000,000
24	<u>3,460</u>	<u>11,971,600</u>
Totals	\$ <u>14,005</u>	<u>\$53,216,625</u>
Average* 2,801		

$$= \sqrt{\frac{53,216,625}{5} - (2801)^2} = \sqrt{10,643,325 - 7,845,101}$$

$$= \sqrt{2,798,224} = 1,341; \quad \bar{x} = \frac{N-1}{4} = \frac{1,341}{2}$$

$$\frac{1,341}{2} = 670,50; \text{ or about } \$700.$$

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\*See Tables 1 and 2 for volume of sales for the population in 1939.

CHAPTER VIII  
SUMMARY AND CONCLUSIONS

The business units analyzed in this survey were single proprietorships, which is the typical form for most small businesses. Other forms of business units, especially the corporate form, were not being utilized to any appreciable extent. Some important reasons why utilization was not made of the corporate form are (1) the lack of specialized training in business administration; the (2) relatively low income (median income 1950 was \$601) of potential Negro stock holders; the (3) lack of technical and skill training; the (4) lack of training in crafts; and (5) the lack of training in corporate law or legal education. These deficiencies will have to be alleviated before the corporate forms can be utilized effectively. Until these deficiencies are eliminated, emphasis should be placed on adequately financed business units, using either the single proprietorship, partnership, or cooperative form and employing, for internal operation and control, business trained personnel. Corporations should be organized only whenever adequate capital and thoroughly trained employees in business, technical skills, crafts and law are readily available. Therefore, on the basis of this survey, it is essential that quality organizations should be stressed and maintained by continuous customers' support.

Initial capital investment was made out of personal savings, which is true for most small business units, and the amount invested was insufficient. Grocery store owners originally invested \$1,600 in merchandise and \$3,100 in real property, whereas \$2,700 in merchandise and \$3,500 in real estate were invested by drug store owners.

The primary source of funds for operation was sales. Forty-two per cent of the cases studied used trade credit as sources of funds for operation on 30 day terms or more. Bank short-term credit, a primary source of funds for small business units was not utilized. One obvious reason for their not using short-term bank loans was because 79 per cent of the owners were not keeping records of necessary accounts.

In order to acquire adequate funds for organization, progress, and survival in the business community, Negroes must raise their level of income in general and business leaders in particular. This is vital to the extent that excess funds may be available over the amount needed for living expenses for investments in small closely held corporations, partnerships, single ownership, or cooperatives, along with continuous customers' support to acquire current funds for operation. According to a report made by Dr. Samuel Z. Westerfield, "Only 5 per cent of negro workers in the Southeast (which includes Mississippi) were in professional and technical, managerial and sales, and clerical fields, as compared with 27 per cent

for white workers. Less than 5 per cent were in the skilled fields of craftsman and foreman, as compared with 13 per cent for white. The remaining 90 per cent were divided almost equally between broad occupational groups. Some training in finance would be useful here such as accounting, business mathematics, and investment.

The inadequacy of securities valued for short-term loans, such as a ledger of quality customers' accounts, customers notes, and real property investments, was another reason why such loans were not being used.

Apparently, the amount of net profits for the owners surveyed increased generally in accordance with the amount of original capital investment, as well as the amount of business training. For example case 15 invested \$75, and the amount of net profits were \$144 for 1953; case 9 invested \$30 and the amount of net profits were \$100 in 1953. Cases three, eleven, twelve, and twenty-four invested \$6,000; \$4,000; \$5,000; and \$1,000, and their net income for 1953 was \$2,000; \$4,000; \$5,745; and \$3,460 respectively (See summary chart and graph I). This evidences that before entering into a small retail business, the owner should have sufficient capital to finance initial inventories and to carry good accounts receivable. "One requirement for success is that the equity capital committed to the enterprise be adequate. Success on this basis will enable the owner to obtain additional



borrowed capital for possible expansion at a later date."<sup>8</sup>

This situation also indicates the primary reasons why the owners of the business units studied were not using bank credit, which was because of:

1. The lack of an efficient internal accounting system;
2. The lack of sufficient security for such loans;
3. The poor possibility for profits;
4. The relative impermanence of the business establishments studied; and
5. The obvious deficiency in business education in particular and education in general.

Forty-five per cent of the businesses studied purchased on weekly or cash terms and extended credit to customers on 30-day terms. Since the amount of profit was small and no finance charges were made for carrying these accounts, this credit procedure could very easily lead to a shortage of funds required to replace inventory. The business units using this credit procedure were forced into this situation because of location and/or competitive conditions. Case 6 supported this finding with the statement that: "The reason she could not meet competition is because customers spend their cash up town and come to her for credit." This is also one of the more prevalent disadvantages of small business units located in urban or rural areas.

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<sup>1</sup>Dockeray, James C., Financial Consideration in the Establishment of a New Small Business, 1949, p. 2.

Merchandise turnovers for the grocery stores\* were far below national average standards for efficiently operated stores, whereas drug stores' inventory turnovers were well within the range of national standards for profitable drug stores. This is one important reason why their net income was \$2,122 greater than grocery stores. Drug store owners paid careful attention to the movement of brands and classes of merchandise. Case 24, a drug store owner, discontinued a certain brand of perfume because his customers demanded a lower price level. He changed brands because of out-migration of citizens to northern cities and in-migration of people from rural areas.

Advertising as a means of increasing sales, was not utilized to any appreciable extent. Net income, however, was substantially more for owners using the radio, newspapers, and letters, and the more education and business training they had, the more frequently the use was made of more than one method of advertising.

The average income for owners who completed the third grade was \$100; the fourth grade was \$140; the eighth grade was \$660; the twelfth grade was \$1,700; and \$3,100 for those with college degrees. Average income for business owners receiving business publications was \$3,616, against \$726 for

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\*National average rate of inventory for (1) Drug Stores - 9-12 times annually; (2) Grocery Stores - 2-4 times annually. Source: Robinson and Hass, How To Establish and Operate a Retail Store.

those not subscribing to business periodicals. The mean net income for grocery store owners, with an average amount of education of 7.7 years, was \$700, as compared with an average of \$2,801 for drug store owners who had over/or at least four years of college training. Drug store owners had some training in bookkeeping, and their businesses are usually located within one to three blocks from the central shopping district. Such factors that most drug store owners have more than four years of college training, invested more initial capital, had some training in accounting, and their businesses are located within one to three blocks from the central shopping area may have been vital factors in this conclusion.

The deficiency in number of essential business personnel, where improvements are recommended and needed is indicated below:\*

ESSENTIAL WORKERS NECESSARY TO ESTABLISH A SOUND  
BUSINESS FOUNDATION

Classification of Workers - Male	<u>Negro</u>	<u>White</u>
Accountants and Auditors	21	1,154
Lawyers and Judges	5	1,341
Managers, Officials and Proprietors	293	12,041
Bookkeepers	10	1,906
Finance, Insurance and Real Estate	20	1,071
Managers, Officials and Proprietors- Self-employed	1,358	18,131

\*For the State of Mississippi

Classification of Workers (Continued)<sup>2</sup>

	<u>Negro*</u>	<u>White*</u>
Retail Trade excluding eating places	526	
Wholesale Trade	12	978
Sales Workers	1,023	20,078
Manufacturing-Self-Employed	60	1,729
Pharmacists	12	676
Classification of Workers - Females		
Accountants and Auditors	0	212
Lawyers and Judges	0	32
Managers, Officials and Proprietors - Salaried	230	1,775
Managers, Officials and Proprietors - Self Employed	1,006	3,275
Wholesale and Retail, excluding drinking places	387	1,993
Bookkeepers	61	4,739
Cashiers	114	1,535
Stenographers, Typists and Secretaries	179	7,375
Sales Workers	816	10,966
Salesmen & Sale Checks - Retail Trade	684	10,239
Insurance and Real Estate Agents	63	257

1. Recommendations

This report taken from the 1950 census of Population

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<sup>2</sup>1950 Census of Population, Volume II, Characteristics of the Population, part 24, Mississippi, U.S. Department of Commerce, Washington, D.C. Pages 24 and 180.

\*Table for Mississippi.

presents one important phase of the reason why the Negro, in order to improve and solidify his economic foundation in business, must find means to train adequate and essential personnel, as well as to find means to acquire adequate capital. It follows that properly trained persons in accounting, law, business administration, and business education in quality and quantity is recommended as a means to aid in eliminating this disadvantage in business. Such properly trained personnel could expand their organizations as far as any other person in terms of dollars and quality service.

The 51st Annual Convention of the National Negro Business League reported that in 1929 the Negro population was 11,891,143 and Orientals were 213,783, or a ratio of fifty six Negroes to every one Oriental.<sup>3</sup> Yes the gross sales of Orientals were \$88,578,000 and the gross sales of Negroes were \$101,146,000. This shows that 213,783 Orientals produced gross sales which was 87% of the amount of gross sales made by 11,891,143 Negroes. Lack of properly trained personnel and funds are some of the primary reasons for this situation.

Negroes of Mississippi are not yet in a position to get a sizable share of the retail market, because of the lack of trained business personnel and funds necessary for business organization and growth. In 1950, only 1.5 per cent of account-

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<sup>3</sup>Sudduth, Horace, The Report to the 51st Annual Convention of the National Negro Business League, Washington, D.C. Page 5.

ants were Negroes; 4 per cent of the lawyers were Negroes; 1.8 of finance, insurance and real estate personnel were Negroes; and 1.06 per cent of the bookkeepers in the entire state were Negroes! The per cents are also similar for such necessary workers as managers, salesworkers, stenographers, secretaries and other proprietors, salaried and self-employed.<sup>4</sup>

It is true to every trained person in business science that no business organization can survive and expand without a sound system of accounting, in which the Negro business community have an insufficient number and most are improperly trained. According to Mr. W.J. Thompson, president and founder of the W. J. Thompson Investment Company the "traits which should be developed fully by our business personnel who desire to follow a business career are loyalty and correctness, in addition to the basic skills. The basic courses which are essential for successful business careers are accounting, real estate, insurance, business law, and finance." He also stated: "Business should be an integral part of our high school and college curriculums, as a means for providing the necessary trained business men."<sup>5</sup> Proper trained persons in corporate law could also aid in eliminating this condition.

To participate in the business economy of this state, the Negro business men must develop a sense of cooperation in

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<sup>5</sup>Interview with W. J. Thompson, president of W. J. Thompson Investment Company, Jackson, Mississippi, April 21, 1956.

each person and the sense of reliability in each prospective business leader to the extent that the community can say: "There is a man that we can trust."<sup>6</sup> The traits of cooperation and reliability, as well as adequate trained personnel in accounting, business law, finance, statistics, management, and other essential business skills, are indispensable for the corporate and the cooperative forms of business organizations. To install and operate systems of the corporate and cooperative forms of business organizations require highly trained minds, as well as other vital skills.\* These are the forms of business organizations recommended if the Negro business men are to fully participate in a representative proportional manner into the business economy of this state. These business forms, traits, and training are needed to procure adequate financial support, which is necessary for competition and survival in a competitive business economy.

Mr. Horace Sudduth, president of the National Negro Business League, stated at the 52nd Convention: "With well-financed and supported national and local economic organizations with functioning business-education and service programs, other minority groups have developed efficient and

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<sup>6</sup>Interview with Attorney J. F. Estes, president of The Veteran Benefit Association, Inc., Memphis, Tennessee, April, 1955.

\*The cooperative form is emphasized at the present time because it can be utilized best to acquire adequate initial and working capital necessary for profitable operation and to meet competition in a more favorable manner.

competing businesses, which have (almost without limit) integrated them into the full business life of America. Their success can be attributed to the adoption of programs that unified their thinking and performance on their economic problems."<sup>7</sup> Mr. Sudduth also stated in his speech to the 53rd Convention of the National Negro Business League in Atlanta, Georgia in 1953: "The steady growth and successful operations of our financial institutions particularly our banks, life insurance companies and building and loan associations are most encouraging and a continuance of their progress or success is absolutely necessary if we hope to establish a more effective and permanent economic security."<sup>8</sup> These institutions can effectively serve as a means of financing or providing the necessary capital for business organizations and operation, as well as funds to build homes, housing projects and industries.\* This economic strength and security, because of an increased Negro population and earning capacity, can and must be realized through

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<sup>7</sup>Sudduth, Horace, President, National Negro Business League, Speech to the 52nd Convention, 1952, p. 4.

<sup>8</sup>Sudduth, Horace, President, National Negro Business League, Speech to the 53rd Convention, October 29-31, 1953, page 4.

\*According to the Sixth Annual Report of Banking Institutions Owned and Operated by Negroes in 1948, the total assets were \$31,307,345. U.S. Department of Commerce, Washington, D.C., 1948, page 4.



cooperative efforts, farm ownership, retail business ownership, manufacturing and the ownership of wholesale and small manufacturing business units.

According to the returned questionnaires, 29 per cent of the business owners had taken business courses, such as bookkeeping and general business; 37 per cent had not completed high school; and 62½ per cent had not attended college. The average training of business owners included in the sample was 7.7 years of education. They had no knowledge of merchandise turnovers as a means of controlling purchases. One owner had to borrow \$30.00 per month for purchases and a careful analysis of sales and expense invoices revealed that her monthly net loss was \$30.00. Twenty-one per cent of the cases studied had no procedure or advertising methods. On the basis of this sample, it is readily apparent that such owners can not compete with others who employ trained business specialists for every position necessary for a proper organized internal business system. The drug store owners had taken a general course in bookkeeping, which was a part of their training in pharmacy.

#### Model Internal Organization Chart

On the basis of this study the following internal organizations are recommended in order that the owners may compete in business in a more favorable manner:

# 1. Model System For the Small Single Ownership or Partnership\*

Same training as re-                      Owner or  
quired by manager and                  Owners  
bookkeeper

## Business Training

## Duties

- |  |   |   |
|--|---|---|
| 1. The equivalent of two years of high school bookkeeping or one year of accounting in college | One Full Time Manager and Bookkeeper                          | 1. Prepare daily cash reports.  |
| 2. The equivalent of one year of business arithmetic.  |   | 2. Prepare monthly bank reconciliation statements.                          |
| 3. The equivalent of one semester of business law, or one year of high school business law.    |   | 3. Prepare quarterly financial statements.                                  |
| 4. Some training in real estate, banking and high school retailing.                            |   | 4. Prepare seasoned budgets including planned seasonal purchases and sales. |
| 5. Training in office practice.  |   | 5. Keep an effective filing system of current prices and supplies.          |
| 6. Business Major or business minor.   |   | 6. Carry adequate insurance on stocks and/or buildings.                     |
|  |   | 7. Adequate controlling accounts with creditors and customers.              |
|  |   | 8. Prepare necessary forms for operation.                                   |
| 1. High School business training, including at least a course in record keeping.               | Salesmen and Cashiers<br>(Number according to business needs) |   |
| 2. Some training in retailing or salesmanship  |   |   |

## Delivery Men

\*This model is recommended and planned by the writer as a source of reference for business students and owners of small business units.

2. Model Internal System for the Cooperative Business Organization and/or Business Cooperative Investment Clubs.

Training

Primary Duties

- | <u>Members</u>  |   |
|---|---|
| 1. About the equivalent of ten years of education in public or private schools. | 1. Elect Executive Committee Members.<br>2. Elect President of organization |

Qualifications and Training

Primary Duties

- | <u>Executive Committee</u>   |  |
|--|--|
| 1. The equivalent of one year of training in accounting on the college level for at least one member.<br>2. One lawyer to serve as legal advisor for the organization.<br>3. One member with a degree in business administration or business education.<br>4. Four members with practical business experience.<br>5. One internal Auditor. | 1. Approve annual budgets and reports submitted by the president.<br>2. Advise president on investment and financial problems. |

Qualifications

Primary Duties

- | <u>President</u>   | <u>Recording Secretary</u> | <u>Membership Secretary</u> |   |
|--|----------------------------|-----------------------------|---|
| 1. The equivalent of two years of training in accounting on the college level. |                            |                             | 1. Serve as chairman of the Executive Committee.<br>2. Approve all contracts for the organization.<br>3. Employ all personnel necessary for the operation of the business.<br>4. Appoint members of all committees except the Executive Committee.<br>5. Approve reports from finance, investment, constitution committees and reports from the company officers. |

## Duties

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. Prepare forms for operation.</li> <li>2. Recommend prospective employees to the president for employment.</li> </ol> | <p>General Manager<br/>(Degree in Business)<br/>Secretary, Stenographer</p> |
|--|---|

## Qualifications

1. Degree in business with training in accounting, tax accounting and intermediate accounting.

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Assistant Accountant  
(In charge of Purchases)

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## Treasurer

1. Serve as head of Accounting Department and as the head accountant.
2. Financial budgets are prepared under his supervision and approved payments.
3. Chairman of the finance committee.

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Assistant Accountant  
(In charge of sales, credit and collection)

3. The internal organization system for the corporate form of business could be similar to the system for the cooperative form, with the exception that ownership would be invested in stockholders, and controlled by a board of directors. Other officers, departments, and business employees would vary according to the size of the organization. As the business expands, a business manager, and a personnel manager could assume duties of the general manager. Two or more vice presidents could assume a portion of the president's duties. The sales and purchasing functions could be removed from the accounting department and installed as separate departments.

On the basis of this survey and from teaching experience with Negro students in the state, it is believed that these

recommendations, when applied, will provide an adequate business foundation that is vital for economic growth and security for any group or nation. These recommendations are practical because the problems of limited finance, inadequate business training and business experience have been considered in detail, which can be readily ascertained from this study. It is the primary intention of this writer that this report, which is a survey, will be used as an aid to and by Negro business owners, business students, and prospective business men and women operating or organizing business institutions.

#### 4. Summary of Small Business Problems

The weight of evidence as presented by this thesis shows that the lack of normal progress of Negro businesses is based upon two important reasons:

1. The lack of sufficient funds for initial investment and for operation; and
2. The lack of education in general, adequate business education in particular and previous business experience.

According to this survey, (see summary chart) 45 per cent of the cases studied were purchasing on weekly and/or cash terms and selling to customers on terms up to 30 days. This could easily lead to a shortage of cash necessary to replace inventory. If this trend continued, the ultimate effect will be a decrease in the variety of goods available for sale and failure. It can also, for this reason, readily

be predicted that if the situation is not improved, cash sales will not be adequate enough to produce enough current funds to pay for expenditures as they become due.

In 1950 the median income of Negro families in the Southeast was only \$935; or less than 30 per cent of the median income of \$2,619 for all families in the United States.<sup>9</sup> In Mississippi, the median income for whites is \$1,614, for Negroes.<sup>10</sup> This fact is one of the reasons for the lack of sufficient capital original investment and operation.

Since the level of income for Negroes is substantially lower than national and state levels or averages, they will have to increase their annual income above their current level before available funds can adequately be provided for investments in business or other securities.

The problem of Negro businesses relating to the adequacy of funds, techniques of control and competition are similar for all small businesses located in urban areas. In these areas "the very small enterprise is usually an individual proprietorship financed only by the personal wealth of the owner and by what loans he is able to procure on his personal credit. Most small proprietors have small wealth and little credit, and his business often suffers for lack of

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<sup>9</sup>Dr. Samuel Z. Westerfield, Dean, School of Business, Atlanta University, Negro Income-Employment Patterns in the Southeast Area.

<sup>10</sup>U.S. Census. op.cit., p. 39.

sufficient capital. Limited buying power is a disadvantage of many independent limited-line stores."<sup>11</sup>

This statement is supported by the findings in this thesis demonstrating the inadequacy of initial capital investment and the inability to utilize long-term credit, as a means of providing funds for working capital. One of the primary reasons why the small business units studied have little working capital is the inability of the owners to retain earnings out of current profits after salaries; the inability to utilize long-term bank loans effectively; and the inability to procure funds by using the investment market. This is also the primary problem of all small business units. For this reason, the writer has presented problems which he hopes may be studied by small business owners, persons interested in the growth of small business units, and business teachers with beneficial results.

## GENERAL SUMMARY CHART

Grocery Stores	Date Entered Business	Cost of Property or Annual Rent	Net Profits 1953	Original* Investment	Customers' Credit Terms (days)	Trade Creditors Terms (days)
2	1952	300*	1,000	800	7	30
3	1955	600*	2,000	6,000	30	7C*
4	1947	400	300	200	7-30	Cash
7	1951	1000	-	400	30	7
8	1954	360*	-	300	7	7C*
9	1954	1700	100	30	7	7
10	1944	1450	-	0	7	-
13	1945	750	-	0	7-30	7
14	1947	1000	487	500	30	7
15	1950	1800	144	75	30	7
19	1949	900*	752	No Record	7-30	7
20	1950	5000	-	7,800	7	30
21	1950	5500	-	300	30	7
22	1947	15000	-	200	7-30	7
<u>Drug Stores</u>						
1	1952	420*	1,000	950	30	7
11	1944	2500	1,800	4,000	30	30-60
12	1950	900*	5,745	5,000	30	30
16	1951	Inheritance	-	3,000	30	-
17	1934	4500	2,000	250	30	30
24	1935	900*	3,460	1,000	30	45
<u>Dry Goods</u>						
6	1951	150	3,500	150	30	2/10
<u>Bakery</u>						
18	1951	600*	0	No Report	30	30
<u>Cafe</u>						
23	1952	255	-	300	30	Cash
<u>Dry Cleaner</u>						
5	1927	900*	2,586	100	30	30

\*Annual Rent

\*Excluding Real Property Investment

Average Investments - Grocery Stores

For Real Property \$3,100  
In Stock 1,600

Average Investments - Drug Stores

For Real Property \$3,500  
In Stock 2,700



## GENERAL SUMMARY CHART (Continued)

Groc-ery Stores	Methods of Ad-vertising	Financial Statement Preparation	Inven-tory Turn-over	Academ-ic Bus-iness Train-ing	Gener-al Educa-tion High-est Grade Completed	Previ-ous Bus-iness Experi-ence
2	W & L	-	2.3	None	12th	None
3	R & H	CPA	1.2	Bookkeeper	-	Grocery
4	None	-	1.0	None	8th	None
7	N & L	No Record	-	Gen. Bus. Course	College	Grocery
8	None	W	-	None	4th	None
9	None	D	-	None	3rd	Grocery
10	None	-	8.0	None	8th	None
13	None	Tax Collector	8.0	None	6th	None
14	W	O	13.0	None	8th	Clerk
15	W	O	1.8	None	4th	Upholster
19	N	O	1.0	None	8th	None
20	H	D	22.0	None	4th	Grocery
21	R & H	W	-	Gen.Bus.	College	Grocery
22	R & H	S	-	None	12th	None
<u>Drug Stores</u>						
1	None	O	-	Gen.Bus.	College	None
11	L	O	5.0	None	Normal	None
12	R & N	O	4.0	None	Pharmacy	Drug Store
16	R & N	Public Accountant	4.0	Management Accounting	Pharmacy	Hotel
17	R & N	O	6.0	None	Pharmacy	None
24	N & H	O	4.0	None	Pharmacy	Mgr. Drug Store
<u>Dry Goods</u>						
6	L & H	O	1.4	Gen.Bus.	College	Sewing
<u>Bakery</u>						
18	N	Notary Public	1.0	None	College	Bakery
<u>Cafe</u>						
23	N	-	-	None	12th	None
Match B.						
<u>Dry Cleaner</u>						
5	W	-	-	None	12th	None
W	Window Display	*O Owner W Wife	Average rate of inventory			
L	Personal Letters	D Daughter S Son	Grocery	9-12 times		
R	Radio		Drugs	2-4 times		
H	Hand Bills		1. Robinson and Haas, <u>How to Establish and Operate a Re-tail Store</u> , 1946, p. 57.			
N	Newspapers					
C	Cash					

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