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Matthew L. Carey

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**NATIONAL ASSOCIATION
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COST ACCOUNTANTS**

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Business Records**

by

M. L. Carey

**BUSH TERMINAL BUILDING
130 WEST 42nd STREET, NEW YORK**

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Getting the Most Out of Business Records

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BUSH TERMINAL BUILDING
130 WEST 42nd STREET, NEW YORK CITY

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GETTING THE MOST OUT OF BUSINESS RECORDS¹

It is natural that accounting literature should devote most of its space to the discussion of means of assembling information. It is characteristic of a fact-gathering body. But why not punctuate each description of a method with the question: "How can we get the most *use* out of this information, once it is collected?" It is encouraging to note the increasing amount of space devoted to the interpretation of figures. It is safe to say that 10 per cent more time and money spent on interpretation would more than double the returns on the efforts now being spent in assembling information. It would do more. It would stop most of the complaint prevalent among cost men that they are not properly appreciated by their operating associates. Their usefulness would become instantly obvious.

In the discussion which follows, an attempt is made to stimulate new thought on the way old every-day records may be made to render maximum service—to pay dividends on effort spent in compiling them. The discussion must be general because it is addressed to individuals engaged as members of a profession whose outlook and immediate problems are as varied as industry itself. It is based upon experience with a large corporation manufacturing a very diversified line in plants of various sizes, located all over the United States with corresponding variety in sales branches.

FUNDAMENTAL THOUGHTS

Let us start with three main thoughts:

1. That the simple and effective business is the one conducted *without any records*, or only such as are necessary to supplement the memory; in other words, the small business where the interested parties are in intimate touch with all activities. This thought is important because if we keep this viewpoint in front of us we will realize that figures are an artificial necessity and only justified when they properly supplement the user's vision. Less complaint of the operating man's apparent lack of appreciation would be heard from cost men if they kept this thought in front of them. This situation is largely impossible to-day both because of large-scale organized effort and the requirements of government supervision.

2. The second thought, therefore, is that such records as seem necessary are merely a substitute for that intimate touch of small

¹ This article is based upon a paper read before the New York Chapter.

activity and should be prepared (a) with a *minimum of elaboration*; (b) with constant attention to the cost of keeping them; and (c) with the injection of as much imagination and "picture" element as possible.

3. That there should go hand in hand with the compilation effort, a "use" effort that insures the maximum dividends from every dollar of expense for such compilation.

The first proposition—the statement that the presumption should be against having *any* records—appears to be self-evident, and will be permitted to stand without elaboration.

ECONOMY IN COMPILATION

The second thought was that any necessary records should be prepared with a minimum amount of elaboration (which is equally self-evident); that constant attention should be given to the cost of keeping them. The possibilities in this field are being ably presented by exponents of the application of principles of scientific management to the office. The application of these to a group of factory offices in which the writer was interested resulted in the reduction of the office personnel from 1500 to 1000 and left the possibilities still unexhausted. Even better results were shown in reducing the cost of office supplies. These offices had been operated as well as the average office.

The most startling thing discovered was the fact that the heads of the *fact-gathering* departments were so busy compiling data for others that they had overlooked the need for examining their own house, ascertaining the volume of work they were doing against the time taken; and the need for making intelligent use of such data. The collection of such information was started. Unit times at one point were compared with similar figures at other points and with time-studied standards. In many cases this was enough: the department head "saw the light"—work was reorganized and the force reduced. In other cases the need for more flexibility between departments or for certain central service departments was discovered. By means of similar individual records and charts, and requiring each clerk to keep a daily "Self-Analysis" sheet showing disposition of his time, the interest of each worker was aroused.

A Report Control whereby each report is passed on periodically by a committee made up of a factory man, a staff man and an office man was established. The persons calling for the information are called before the committee to justify the compilation of the report. Both a local and central form control were established. Each form was examined as to quality of paper—considering use; size of paper—considering standard sizes, and filing equipment; layout of form as it affected clerical work of typing, and possible standardization as between forms. Comparative tests of standard commercial supplies and equipment were run.

IMAGINATION IN COMPILATION

So much for results that may be obtained from attention to the cost of collecting data. Our second point further stated that we should "inject as much imagination and picture element as possible." This point is generally recognized but the common feeling is that imagination is needed mainly in interpretation. It is even more essential to the executive who prescribes the reports he wants kept and the accounting head who is planning the reports to be made. J. P. Jordan has on several occasions touched very suggestively on the psychological element of this problem. If we use imagination in outlining the sort of records we will keep and psychology in getting the results into use we will have done well. For, if you have followed my line of reasoning, you will see that the main purpose of figures and their presentation is to place a picture in a man's mind of something which he has not seen. This takes imagination on the part of the person collecting and presenting the figures and some psychological touch to stir the imagination and properly predispose the mind of the person studying them. No man's presentation of this matter of injecting imagination and pictures into records is better than that of B. A. Franklin in his book "Cost Reports for Executives" and in an article "Records as a Basis for Management" in the September, 1922, issue of "Management Engineering." Read the following extract from his September article, in which he calls records "the spirit of management," as a statement of what records should do for the executive:

"Imagine, if you please, then, the executive approaching his problem, the industry, mentally. He is in danger when he enters his office of being intrigued by the lure of his correspondence and the many smaller affairs which are referred to him, other than those important ones which particularly pertain to and should be dependent upon the decision of an executive. But the spirit of management is at his elbow and whispers into his inner ear. It flashes before his eyes pictures of events occurring in the business as vital questions occur to him.

"There are the pictures of production—production as of the whole unit, of departments, of machines, of individuals, of such divisions as are significant of the progress the plant is making in this, its main reason for existence. And this progress is shown in relation to standards of what it might be, should be, has been—the measuring rules. There are the pictures of *incoming business*, volume of orders and contracts, the time of future full production they will absorb, increasing and decreasing progress of lines, of relations with customers, of markets.

"Following these there come from time to time pictures of *costs, prices and profits*—costs detailed in depart-

ments, in orders, in lines, in units, in parts, in operations, in labor, material and expense, compared with standards and selling prices. *On occasions* there flash the pictures of *expense analysis*, of the operation of the plant—of departments, divisions, organization units, operations, supplies used.

“Periodically come pictures of budget plans and the detail of their actual operation in practice, showing their shortcomings and values. Most importantly come the pictures of *quality and of waste*—the relation of quality to standards in per cents, the wastes in detail of operations. There are the pictures of *materials*—their comparative prices by time, their supply on hand in relation to production, Then come the vital figures too of the *human relations*—turnover, accidents, benefits arranged, education, training, of the skill and progress of individuals and groups.

“These are some of the main pictures that the spirit of management, guiding the executive, flashes before him, leading him to personal investigation, to interviews and conferences, to actions and laid-down policies—to progress and profit. These *pictures are simply records*, for records have no value except as they are pictures.

“There is, then, the first vital truth about records— that they have a main value as pictures—pictures that tell a straight, simple and clear story. Records should be properly complete moving pictures, flashed on periodic occasions, of the events of industrial life and progress, concentrated and translated into results. And (this is certainly vital to the progressive executive) records offer the only unprejudiced story of events to the executive who does not see them himself, and to the one who does—a summary review. Many record pictures are cubist, frequently impressionist, often childish, most often incomplete and hazy.”

That is a classic statement from the executive viewpoint. Apply the same thought to the foreman and the worker and you have a set of records ready to be used.

Now, many men, especially minor executives and workers have minds that will not create a picture from the best designed records. Mr. Franklin's reference to the moving picture brings to mind an idea now being worked out by a large concern. This concern had been giving their foremen and workers considerable data principally in chart form. There was a feeling that it was not “getting across.” They tried talks on the use of figures and charts but felt the need for something more. They were having weekly meetings of all workers where they showed moving pictures. These

picture programs lacked the most interesting part of a movie—the “animated cartoons.” It was decided to try to get the message across with animated cartoons. They hit on the idea of creating two characters—small bugs—the “Extravagant Pest” and the “Economy Bug.” The first cartoon showed a piece of cross section paper with a bottle of ink on which the bugs were perched and a dialogue ensued as to the use of such paper. The “Extravagant Pest” offered to explain, and, wetting his feet in the ink, started out on the cross section paper leaving (through his tracks) an upward tending chart—so like the cost and scrap charts prior to the recent depression. The “Economy Bug” catches the idea—pursues his companion—swallows him at the peak of the curve, pauses in satisfied contemplation, and then creates the downward track that they were looking for. Subsequent pictures were to show various operations such as produced piles of scrap and piles of output, which were to “fade” into the corresponding comparative bar charts that the foremen and workers were then receiving. It was felt that after seeing these the worker would cease to view his chart as a dead thing but would see—through the medium of the animated cartoon—the actual operations back of it. For their manufacturing executives this concern developed animated line charts which gave the picture of the development of the final situation shown on the current chart.

That’s the sort of picture building ability that the creator of records should have.

THE USE OF THE COMPILATION

Now, my third point was “that there should go hand in hand with the compilation effort a ‘use’ effort that insures the maximum dividends from every dollar of expense for such compilation.”

You may say that an executive should use his own figures and not pay to have them interpreted. I say he is not in many cases trained to use them; but, if he does not want a paid interpreter, let him engage a consultant to show him how to use his figures.

It is an unfortunate, but common fact that persons expert in the collection of information (be it historical, scientific, statistical, or the like) are seldom capable of presenting this information in a way that begets attention and begets action (or at least they seldom do). Histories and biographies compiled from original sources are invariably “dry” until redone by a writer with a flare for emphasis and style. Our histories of inventions are filled with stories of fortunes made by the apparently less capable individuals through the commercial application of the results of painstaking research in laboratory and shop. Print shops and makers of book shelves can count on steady revenue from the fact that the librarian and offices feel it necessary to have census data, vital statistics, tax reports, etc., on file for possible use of them that is seldom made.

It takes H. G. Wells to awaken the lay mind to the lessons and inspiration of the past. It takes an Edison to make generally useful the products of the laboratory. It takes a Babson to vitalize statistics, a King to array census and other governmental data to give us a conception of the "wealth and income of the United States;" a Friday to show us how to draw conclusions from the seemingly dull income tax returns; a Secretary Lane to write a Federal Department report that reads like a best seller. The drama "Abraham Lincoln," the better grade of motion pictures, such as the "Birth of a Nation," etc., have aided greatly in emphasizing the lessons of history to the greatest number. The *New York Evening Post*, in commenting on Yale University's plan to put history into movies, says:

"One could wish that the filming of history would have its marked effect upon the writers as well as upon the potential readers. A little more drama, color, and costume, would not hurt the present generation, or any generation of American historians. There is about as much imagination in many current historical books as in a bookkeeper's ledger; they are collections of facts, that is all."

The development of research laboratories by our great commercial enterprises and closer relation between business and colleges growing out of recent endowment campaigns insure more complete application of results of scientific research.

Commercial statistical agencies are beginning to promote the use of a mass of statistical information accumulated yearly by governmental and other agencies.

It is, however, still startling to compare the relative time and money spent by such bodies and by large corporations in compiling data and in using it. The writer knows of one concern that spends over \$1,000,000 in collecting data—yet, aside from executive use, less than \$50,000, or 5%, is spent in interpretation.

Tax and other legislative requirements, war contracts, wage controversies, rate cases, requirements for bank and bond loans, the representations of industrial engineers and makers of office devices have all contributed toward persuading business men to *compile increasing quantities of information*. Yet these same executives not only hesitate to spend a little money to see that this information is used, but in a number of cases, actually refuse to allow it to be put into hands of their people who might use it to advantage, fearing competition, etc. The same executive who would immediately scrap and discard a machine no longer useful or hire expert help to secure profitable by-products from his regular processes of manufacture, will permit continued compilation of data seldom if ever used and will refuse to hire specialized help to get additional advantage that might come from use of data that he is required by law or other necessity to prepare.

PRINCIPLES OF USE

If we will spend 50% of what we *can save* in the cost of collecting data in adequate interpretation "*in getting the most out of them*" we will have made a real contribution to industry. Time does not permit of detailed illustration of how this may be done but I will lay down nine principles that I have observed, which follow:

PRACTICAL PRINCIPLES INVOLVED IN "GETTING THE MOST OUT OF BUSINESS RECORDS"—TALK BEFORE NEW YORK CHAPTER

BY MATTHEW CAREY

DON'T KEEP 'EM IF YOU CAN HELP IT.

1. If you keep 'em USE 'EM
2. If you use 'em ACT
3. Keep 'em consistently accurate except when you—
4. Gve 'em a timely bulge
5. Give 'em Air——Circulation
6. Don't overwork them—but
7. Dress 'em appropriately
8. TIE 'EM IN
9. USE 'em while they're HOT.

REMEMBER THAT THE OTHER FELLOW WON'T NECESSARILY STRESS THE SAME POINT IN A RECORD THAT YOU WILL.

1. Time and money spent in compilation of records that are not used (i. e., placed before someone other than the person compiling them) is time wasted. "Many records are only time put into storage never to be taken out." Insofar as these records are not used to their fullest extent there is waste. As an illustration: One concern found, after spending considerable money in collecting data for its Industrial Relations department to follow individual earnings, that the abstract of weekly earnings that it was obliged by Federal Law to keep for income tax purposes would answer just as well. It found that by slight readjustment of data and the use of a duplicating device it could use many reports required by governmental authority in place of its own internal reports. It has found that the readjustment of a report necessary for corporate records makes it serve in place of a report that its industrial relation, engineering or other non-accounting department thought necessary.

2. Time spent in examining reports without taking some definite action (even if it is merely making a note to review a special point on the next report) is time wasted. To insure some sort of action, I believe that a comment of some sort (even though it is not altogether justified by the report) should be made. This insures some sort of reaction. We have found it helps to encourage per-

sons receiving reports to plot certain figures on a chart kept by them or even restate the figures.

3. So far as possible the same degree of *accuracy* and *detail* should prevail through all figures prepared. This degree should be keyed to the accuracy of the basic or source records. Figures going to the operating man should be "rounded out" before being typed for him. This helps him to remember.

4. Our fourth principle is the exception that proves the third. Some one part of the record system should always be elaborated, and, as business conditions change, point of elaboration should shift. Up to October, 1920, we were primarily concerned with production and stressed any factor influencing it, such as production per person, per machine, etc., the effect of the production bonus, and the industrial relations figures bearing on turnover, absenteeism, and tardiness. Subsequent to that date quality and low cost slogans caused other figures to be elaborated on. It is by watching this matter and periodically reviewing forms that cost of compilation can be saved.

5. Every workman, be he sweeper or factory manager, should have access to all available records reflecting results that he affects. "Foremen spend your money." The employment manager may hire the men; the purchasing agent may provide the material—but the economical combination rests with foremen. The foreman certainly should have all information which shows how well he has performed his task.

6. Figures supplied to each workman should be subdivided as little as possible while still enabling him to detect a bad tendency. Further detail should be available to him if he asks for it.

7. So far as possible, results should be given in form best suited to the individual using them; that is, by figures, charts, or a combination. No matter in what form presented, they should be well set up—"A single page looked at is worth a volume in the file."

8. All records, whether accounting, cost, or statistical, should be "tied in" with the books so that any high spot may be run down to a conclusion without a break.

9. A *timely report* "rounded out" with estimates under control is worth far more than the same report thirty days later when all figures have been balanced and proved. The writer knows one concern where the comptroller lays a report of the month's operations before his executive committee two days after the close of the month: Yet the plants of the concern are scattered throughout the country. This concern has a budget and estimating scheme which start the accountants thinking about what that month's results will be six months in advance. As a consequence, they can wire on the day following the close of the month an estimate of results that usually proves to be less than 5% off from the actual figures arrived at 20 days later.

PSYCHOLOGY IN USE OF COMPILATIONS

There is one very vital point that I would like to make before closing. It is of great importance to the man interpreting reports. It is that of adjusting your analysis to your man. I have seen a very important and capable executive, who usually seeks out the important work and delegates everything possible to assistants, fuss and fume and lose the big point of an analysis because some insignificant figure in it failed to "tie" to one he remembered having seen before. The good analyst foresees this; he reasons through his figures, gets the high lights and develops his argument. He then dresses it up so as to gloss over possible irrelevant prejudices, quibbles, etc., that previous experience has taught him to look for in the recipient of his analysis. He relates it to "pictures" he has already created in the recipient's mind. I know of one case where a revised floor plan was to be sold to a committee of five, each of whom had his own notions. The man doing the work felt sure he could ultimately prove his case, but to eliminate the long intervening discussion, he reproduced the whole floor in miniature, down to the water bottles, stairs, cashier's cage, etc.,—covering each of the committeemen's hobbies—and had it so thoroughly covered that it was accepted without discussion.

CONCLUSION

In conclusion, then, it is evident that "getting the most out of business records" is a reflection of the accountant's "state of mind." He should conclude his report with reflection on how the maximum use can be gotten out of that particular report. He should struggle against elaboration and thus keep down his costs. He should strive to inject the "picture" element into his final set-up. He should confer with the recipients of his reports to see that they are really using them. He should constantly keep in front of him such principles as the nine outlined above. Then there should be no need for him to worry about lack of appreciation.

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