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What People Are Writing About

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what people are writing about

BOOKS

The Peter Prescription: How to Be Creative, Confident, and Competent by LAURENCE J. PETER, William Mortow and Company, Inc., New York, 1972, 221 pages, \$5.95.

This sequel to Dr. Peter's celebrated The Peter Principle accentuates the positive. The result, while less funny than the first book, may be equally useful.

Three years ago Dr. Laurence J. Peter announced the Peter Prin-

ciple: "In a Hierarchy Every Employee Tends to Rise to His Level of Incompetence" and used it to explain how an "incompetence syndrome has quietly burrowed its way into our bureaucratic structures and individual lives."

In so doing, he says, he founded "a new science, hierarchiology, the study of hierarchies." Hierarchiology can be briefly summarized as follows:

"Each hierarchy consists of an arrangement of ranks, grades, or classes to which the individual may be assigned. If he is competent he may contribute to the positive achievement of mankind. Promotion up the ladder may remove

him from this level of competence and place him at his level of incompetence.

"For every job that exists in the world there is someone, somewhere, who cannot do it. Given sufficient time and enough promotions, he will arrive eventually at that job, and there he will remain, habitually bungling the job, frustrating his coworkers, and eroding the efficiency of the organization..."

"Although all consistent achievement is the product of those who have not yet reached Final Placement, everyone is subject to the influences of the Peter Principle. All are latent promotees. As numbers of individuals arrive at their levels

REVIEW EDITORS

In order to assure comprehensive coverage of magazine articles dealing with management subjects, MANAGEMENT ADVISER has arranged with fifteen universities offering the Ph.D. degree in accounting to have leading magazines in the field reviewed on a continuing basis by Ph.D. candidates under the guidance of the educators listed, who serve as the review board for this department of MANAGEMENT ADVISER. Unsigned reviews have been written by members of the magazine's staff.

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of incompetence, deadwood accumulates, inefficient bureaucracies grow, quality deteriorates, mediocrity triumphs, companies fall, civilization crumbles, and the promise of man's future is obscured."

First book triggered second

This insight, comparable in significance to Parkinson's Law, might be considered by some enough for a single scholar's lifetime. However, as Dr. Peter explains, "Following the publication of *The Peter Principle*, I received thousands of letters from victims of the Peter Principle requesting solutions to personal problems . . . All of the requests fell into two general categories: (1) What can I do to avoid the Final Placement Syndrome? (2) As a manager, how can I keep my employees at their appropriate competence level? This book, *The Peter Prescription*, was written in response to those questions."

Dr. Peter's response is to offer 66 formulas for improving the quality of our lives, for making things go right. All amplify the basic Peter Prescription: "Forward to a Better Life."

"True progress," says Dr. Peter, "is achieved through moving forward—not through moving upward to incompetence. *The Peter Prescription* will reveal that your path to real success lies ahead and is achieved through creating a better life rather than climbing upward to total life incompetence. The Peter Prescription replaces mindless escalation with life-quality improvement."

The book is divided into three parts: Incompetence Treadmill, which "will advance your knowledge of the evils wrought by the Peter Principle and give you a clear understanding of why most conventional attempts at solutions only serve to escalate the problems"; Protect Your Competence, designed to "show you how to be creative, confident, and competent in your own life"; and Manage for Competence, intended to show you "how to be successful in your deal-

ings with others and how to increase your efficiency and competence as a manager."

The first section is, of course, by far the funniest since it is always easier to be funny when being negative. In it Dr. Peter covers some fields that were neglected in his first book, which dealt primarily with incompetence in business and government.

He takes swipes at:

Women's Lib—"The formula is: Women are smarter than men, children are smarter than women, animals are smarter than children." The Peter Principle, Dr. Peter notes, does not deny man his right to become incompetent. "It would be equally unfair to deny women their right to become victims of the Peter Principle."

Equal in incompetence

However, "The equalization of opportunity for the sexes could result in women becoming equally incompetent to men . . . If women liberationists strive to become bank presidents, chief executives of the political-industrial complex, and Navy admirals, Army generals, and flight commanders, they will inevitably add to the total life incompetence of civilized society. Should the liberated woman seek equality with the male incompetent incumbents and join in a battle of the sexes on the treadmill to oblivion, or should she accept the Peter Prescription and assume leadership in a movement toward a better world?"

Management Consultants—" . . . although many business consultants were competent, a substantial number were victims of the Peter Principle. These experts had reached their professional status through escalation—the same route their clients had utilized in achieving the incompetence the experts were supposed to cure . . . The indiscriminate escalation of the number of consultants offers no assurance of competence. The attempt to produce competence through escalation of consultation holds no more

promise of success than does any other form of escalation."

Schools—"The establishment of graduate schools of education and escalation within the education profession resulted in educationists gaining control of the schools. Before this happened, it was believed that a teacher was someone who could understand those not very good at explaining and explain to those not very good at understanding. Today the educationist is someone who can take an easy subject and make it difficult.

"When educationists gained dominance of the schools they convinced the teachers that their promotion policy was psychologically unsound. The educationists favored a plan called social promotion, in which the competent as well as the incompetent were promoted. Standards declined. Remedial reading courses became a necessity in universities and 'Beverly Hillbillies' became a top-rated television program."

Computers—"The computer, like the human employee, can be promoted from doing the kinds of things it does well to performing the kinds of tasks for which it is unsuitable . . . Because the computer's capability has far outstripped our ability to use it wisely, bureaucrats mindlessly make work for it by designing elaborate forms to collect vast amounts of irrelevant information."

And even R. Nixon (not a fictitious name), "the most carefully packaged politician of all time."

An old theme rephrased

The 66 Peter Principles, ranging from "Revitalize your body" to "Shape behavior by reinforcing successive approximations toward a desired objective," are not funny, nor are they really meant to be. They were originally summarized by Shakespeare, "To thine own self be true."

Dr. Peter, according to the dust jacket of this book, says that his "modest ambition is to save mankind." Perhaps he will.

Reference Guide to Advanced Management Methods by FOREST W. HORTON, JR., American Management Association, New York, 1972, 333 pages, \$17.50.

This mini-encyclopedia of management techniques would be a useful—though not an essential—addition to the library of an accounting or consulting firm.

The aim of the author of this book, he says in the preface, was to produce a “general-purpose, comprehensive, and simplified primer of modern management technology that could be used as a day-to-day reference work by lower and middle-level managers as well as by management technicians.” The book provides simple definitions for the more common and representative management concepts, techniques, tools, and methods; “some clues to the relevance and applicability” of these tools to everyday management problems; and brief discussions of other dimensions, such as the correlated use of related tools.

The terms covered range from automation to voice-visual-graphic systems. Some are drawn from specific functional areas of management—integrated materials management, inventory management, standard costing and variance analysis, value analysis. Others are more general—communications, crisis management, decision trees, long-range planning. They are presented in alphabetical order, encyclopedia style.

Each is defined, discussed, and illustrated by examples, occasionally with charts or other visuals. The opinions of the leading writers on the subject are summarized, and guidelines for application of the technique are suggested. Each entry has its own little bibliography. At the end of the book is a 15-page glossary of terms.

This book is no substitute for the full-size management encyclopedias now available—with their hundreds of pages of contributions by specialists. It is limited in its coverage, both as to number of

topics and as to detail about them. But, as a less ponderous desk-size adjunct to them, it would be a worthwhile addition to the library of a consulting firm or business organization.

The Working Woman: A Male Manager's View by RAY A. KILLIAN, American Management Association, New York, 1972, 214 pages, \$14.50.

Women are in the work force to stay, and men are going to have to learn to put up with them. This book attempts to tell them how to go about it.

The author of this book, vice president of personnel and public relations in Belk Stores Services Inc., represents an industry (retailing) in which most of the employees and 50 per cent of the executives are women. This undoubtedly helps to account for his relatively enlightened approach to the problems of working women.

In the opening chapters Mr. Killian cites the economic and other evidence suggesting that—barring a major depression—women are and will remain a significant part of the work force. Despite his determination, stated in the preface, to be objective, “prejudiced neither for nor against women,” this fact clearly does not upset Mr. Killian very much.

Indeed, he says, women “are an important but underutilized human resource. They are capable of making an outstanding contribution to the profit goals of a company or the functional purposes of any group. Women—properly employed, trained, supervised, compensated, promoted, and judged—represent the best bargain available to the company.”

However, he claims, women have certain disadvantages from the company's point of view. “Many women have different reasons for working than men which can influence quantitative performance and

length of time they stay on the job. They are more family-oriented than men and are, therefore, subject to pressures and demands on their time, their energy, and their commitments.” This disadvantage can, however, be overcome by good management, and the bulk of the book is devoted to explaining how this can be done.

In typical personnel style he organizes his discussion according to the subdivisions of the personnel field: recruiting, employment, placement, induction, training, development, etc. His main stress, however, is on supervision.

Noting that many male supervisors find it difficult to discipline or correct women because of the latter's alleged tendency to take everything personally, Mr. Killian devotes a chapter to this particular problem. His solutions, however, sound very much like the chapters on correction and discipline in any other personnel book. Indeed, ninety-plus per cent of the author's advice on supervision of women does not differ in any significant respect from advice on supervision in general. As Mr. Killian himself puts it, “Women require the same kind of supervision as men, only more so.”

Two chapters are devoted to women in management. Here, the author concedes, the woman faces handicaps, mostly in the way of attitudes: “that men are preferred to women as supervisors, traditional attitudes of male superiority and male dominance, and the reluctance of top management to provide training and positions for women.”

However, he points out, they also have a few advantages, particularly with the trend toward less authoritarian and more participative supervision: “a greater empathy and human insight, sincere feeling for the needs of people, and the mental ability required for leadership,” (including, in Mr. Killian's view, superior organizational ability).

“Effective leadership,” Mr. Killian points out, “demands a discipline, commitment, and quantitative

orientation. Many women excel in these areas, but some are limited by home circumstances, lack of experience, or self-imposed restrictions on their career aspirations." Although most of the blame for women's failure to penetrate higher management rests on "men, companies, and traditions that have unjustifiably restricted the opportunities of women," women also can be faulted for their lack of aspiration, mutual jealousies, and failure of determination.

Women, the author concludes, "must seek employment and equal opportunity in the business environment as it exists today, not in the hoped-for or perfect state that hasn't arrived. If they wait for the red carpet to be rolled out, the open arms, and the welcome mat, they will have a long wait. They must assume sufficient initiative for being qualified, for seeking employment, for asking for equal opportunities regarding all conditions of employment."

This balanced, nonpropagandistic analysis should do something to balance the excesses of some of the extremists on both sides of the working woman hassle. Whether it will do much to undermine ingrained male prejudices is another question.

Planning and Control in Management: The German RPS System by WALTER SCHLEIP and RANIER SCHLEIP, Peter Peregrinus Limited, P.O. Box 8, Southgate House, Stevenage, Herts. SG1 1HQ England, 1972, 80 pages, \$2.25.

This little book outlines a German project control system which is, its developers claim, more comprehensive and easier to apply than PERT or CPM.

In designing RPS (Regeltechnische Planung und Steuerung or planning and control techniques for management) the German father-and-son consulting team of Walter and Rainer Schleip were

aiming at nothing less than a complete closed-loop management control system that continually regulates itself. What they have come up with is a PERT-like planning tool that may indeed have some advantages over traditional critical path methods.

Developed on demand

In 1960 the authors' consulting firm had the job of developing a process, for a company in a highly competitive field, which satisfied the following conditions:

It had to be a graphical process through which an unlimited number of procedures that influenced each other could be easily recognized and followed.

The graphical representation should be simple enough to be readily understood by everyone after a short explanation.

The system should not only help in planning the optimal flow of the procedures but should also act as a direct work indicator and a means of direction without using any other type of representation such as written instructions.

It should be directly usable for constant information feedback for administrative purposes.

The resulting technique, a comprehensive work flow chart, has many resemblances to PERT (Program Evaluation and Review Technique), which was being developed independently in the United States at the same time. In fact, once PERT and CPM (Critical Path Management) had been publicized the Schleips added to their own method of representation a modified CPM method of time-value calculation.

RPS is a signal-flow diagram consisting of blocks (representing procedures), arrows (portraying logical connections to subsequent procedures), dots (marking branching points from which two or more arrows run to other procedures), and circles (collecting points into which run arrows from several procedures which must be completed before the start of the next pro-

cedure). Within each block are listed the number of the procedure, its estimated duration, and its earliest and latest possible starting dates. Since the blocks are relatively large, other information may be entered as well, for example, departments involved, special instructions, etc.

The time-calculation procedures used are those of CPM rather than PERT; i.e., the times are calculated without use of probabilities. This, the authors claim, is an advantage over PERT in terms of simplicity; it is, however, an advantage that CPM shares.

Advantages over PERT

The authors claim many advantages over PERT. Their system is, they say, clearer than PERT and has fewer ambiguities, thanks to their use of dots and circles as well as blocks and arrows. In networking, the authors say, an arrow can represent either a procedure or a logical connection between procedures; a circle can mean an event, a collecting point for pieces of information, or a distribution point for information. In RPS each symbol always has the same meaning, and there is no need for representation of dummy activities. In RPS there is also provision for introducing representation of a waiting (or delay) period, which cannot be depicted in PERT. Furthermore, the size of the blocks makes the system more versatile since additional information can be entered on them if appropriate.

The special advantage of RPS, the authors emphasize, is that one single diagram carries all the information for all function centers, for all planning meetings, and for direction and information feedback. The RPS diagram is also easier to alter than PERT, is easier to expand, and permits almost instantaneous informing of all interested parties by simply distributing copies of the corrected diagram.

The book also discusses possible extensions of the system to represent alternative work flows, to re-

port project progress, to optimize resources, to reduce the duration of a network, to optimize capacity, and to reduce costs.

Companies that have used the system, the authors say, have reported cost and time savings, simplification of cost accounting procedures, improvement in the flow of information, an increase in teamwork, and encouragement of systematic thinking among staff members.

Whether or not it is superior to PERT and CPM—and the authors have perhaps devoted too much space to this question—the RPS system does seem to be a technique that American companies would do well to investigate. Every consultant who now uses or recommends the use of networking techniques should read this book (particularly in view of its modest cost) and consider combining RPS with the rest of his bag of planning and control techniques.

Behavioral Patterns in Internal Audit Relationships by FREDERIC E. MINTS, The Institute of Internal Auditors (Research Committee Report 17), New York, 1972, 119 pages, \$5 (\$4 to IIA members) (paperbound).

It is a safe assumption that the work of internal auditors will be most effective if their recommendations for improvement are accepted and actually put into effect by the auditees. This research study, conducted by means of techniques that are novel for an association, is a relatively successful attempt to find out how the auditor can best overcome the natural resistance of his subjects.

The practice of internal auditing has changed a great deal in recent years. Once the auditor was viewed—by himself, by his superiors, and by the operating managers whose work he reviewed—as a sort of policeman whose aim was to uncover fraud and identify performance failures. The modern approach

is more positive; auditors are encouraged to employ courtesy, consideration, and tact and to cultivate good relationships with auditees. However, as this report clearly shows, “being nice” is not in itself enough to overcome unfavorable attitudes, particularly in view of the inherent difficulties of the auditor’s role, which tends to provoke fear of criticism and of change among most auditees.

Improving audit relationship

What can be done to improve relations between auditor and auditee—or is such improvement really necessary? The designers of this unusual study adopted a three-pronged research technique. They conducted a written survey of audit practices and attitudes, conducted a controlled laboratory experiment to test the effectiveness of different audit styles, and then tried to apply the laboratory results to actual company situations in field studies.

The mail survey tended to confirm what was already well known from the literature: “Despite substantial efforts to improve the internal auditor’s image, over at least the last 20 years, the usual reaction of operating managers and employees is still often one of conflict and hostility. Unfavorable attitudes on the part of auditees materially hamper auditors in carrying out their responsibilities and seriously limit their ability to contribute effectively to overall goal accomplishment.”

The researchers identified three basic styles of dealing with auditees, the traditional or older approach, the moderate approach (considered to represent general current practice), and the participative teamwork approach (the one favored by the research group).

In the traditional approach the auditor views his primary mission as protecting his employers against possible loss. He checks the control system, determines whether procedures are followed, and seeks to detect errors for correction. He is polite but reserved toward the

auditees, keeps what he is doing strictly secret, and reports all infraction of the rules to higher management.

In using the moderate approach the auditor tries to be constructive as well as protective. He tries to help the operating managers solve their problems and makes suggestions to them. He tries to be friendly and sympathetic while remaining objective and emotionally uninvolved. He asks operating managers for suggestions about the audit, discusses his findings with them, and may show them his report before it is submitted.

Under the participative approach the auditor sees his primary objective as that of providing assistance to operating management in achieving overall organizational goals. He tries to be warm and empathetic in his relationships, avoiding even a hint of personal criticism. He discusses his work with the auditees throughout the job and reviews his recommendations with them. Often the report, which is carefully framed to avoid any implication of failure or bad management, has been adopted and implemented by the auditees before it is submitted to higher management.

To test the effectiveness of the three approaches the researchers set up a laboratory experiment in which “auditors” were assigned to groups of people performing various group exercises, including several Tinker-Toy-like puzzles. Each auditor or observer used one of the three audit styles in advising his group. The researchers found that the participative style not only engendered the most favorable attitudes toward the auditor on the part of the group and produced the readiest acceptance of his advice but also that the task performance of the groups advised by participative-style auditors was the best.

They then tried to test the three audit styles under actual conditions in four companies. There the results were less clear cut, apparently because some of the auditors

had difficulty playing the roles assigned to them. For example, one Monsanto auditor who was basically a participative-type auditor was assigned to practice the traditional style—and still came out with the best results. Many auditors accustomed to nonparticipative techniques were unable to use the participative style successfully, despite a brief training program.

The researchers concluded:

“The numerous unfavorable auditee comments and the large number of relatively unfavorable attitude ratings, even when the auditors were using what they considered to be empathetic approaches, confirms the belief that a substantial degree of conflict exists. The considered conclusions of the chief auditors at Monsanto and Honeywell substantiate the researcher’s theory that acceptance of the auditor’s recommendations and suggestions is directly linked to the auditees’ feelings of like or dislike toward the auditor. And the use of the participative teamwork approach by the auditor is shown by the free auditee comments to be an important factor in assuring that the auditees will be favorably impressed by the auditor.

“In addition, the field studies also demonstrate that there is a direct relationship between the auditor’s personal characteristics and his acceptance by the auditees. Those individuals who had strong inner preferences for other audit styles had difficulty in adopting the participative teamwork approach, even though encouraged to do so by their superiors. Furthermore, the studies at Goodrich did not demonstrate that brief exposure to a training course in the general components of the participative teamwork approach, plus the instruction by superiors to adopt this approach, made any major change in the way auditors getting this training were perceived by the auditees.”

The participative, teamwork, problem-solving approach “may well be the light at the end of a dreary tunnel,” the research report

concludes. However, many questions remain and are suggested for further study:

“How can the participative approach be applied to auditing? Empathetic behavior is important, of course, but it is not the full answer. . . . What is the effect of management actions, apparently beyond the auditor’s control? . . . How can internal auditors be trained to adopt new patterns of behavior? . . . How can auditees be taught that instead of a critic they are dealing with a management consultant who will help them—without fee—to improve their own performance?”

“Can the participative method apply to all types of audits? What about fraud investigations? What about cash audits? What about audits of vendor claims? . . . If audit approaches must vary . . . then can the same types of auditors do those and the participative audit as well? Will it be necessary to subdivide audit staffs for such purposes?”

This is a valuable little book for consultants and CPAs as well as internal auditors since many of the problems are similar. It seems to point the way to success—although it leaves very open the question of how individuals are to learn to adapt their personalities to fit the desired pattern.

Operations Research: Implications for Libraries by DON R. SWANSON and ABRAHAM BOOKSTEIN, (Editors), the University of Chicago Press, Chicago, Illinois, 1972, 160 pages, \$7.95.

The proceedings of a 1971 conference of the University of Chicago’s Graduate Library School, this book offers ten papers on operations research and the possibilities of applying it in libraries.

Operations research in libraries, as the editors of this book point out, is still a “very young endeavor.” They feel, however, that, “Combined with library experience, sensitivity to library needs, and a will-

ingness to modify traditional operations, OR has great potential for assisting library management.”

The articles reproduced in the book are the speeches that were given at a librarians’ conference on OR. As is always the case when a new technique is being introduced to a fresh audience, much of the material—indeed, about half of it—is devoted to basic explanation of the technique itself and, therefore, is of equal value to readers outside the library field.

Two papers, for example, describe the methodology of OR, its limitations, its potentials, and its relationship to other developments in a rapidly changing society. Other general topics include the creation of models, their use, their values, and mathematical programming.

Actual examples cited

An effort is made in some of these introductory presentations to use library examples; for instance, one talk on models describes storage models created in the course of the speaker’s own research in libraries; the linear programming paper outlines a model for deciding whether to buy a particular issue of a given journal and, if so, in which year after its publication.

Other contributions stress actual applications. One describes how the University of Lancaster library used OR techniques to create a more flexible circulation policy. Another suggests models for fund allocation and tells how the speaker produced a measurement of effectiveness for a large public library system. Two papers deal with gathering data for analysis of library operations, in one case of catalog use.

For the most part, the articles are clear and well organized, although not all are as nonmathematical as the sponsors of the conference would have liked. The result is a worthwhile purchase for anyone involved in the management of a library of reasonable size or for any consultant interested in library clients.

MAGAZINES

Computer Job Costing by ANTHONY E. DIGUGLIELMO, *Management Controls*, March, 1971.

Now that third generation computer systems have established time sharing capabilities, a single job no longer has unrestricted use of all the computer's resources. This paper introduces and compares two approaches to cost distribution for computer jobs in a multiprogramming environment.

Job costing for computer runs on single-programming systems was based on the allocable cost of the system for the length of the run. Here, the total of the elapsed times of all jobs run was equal to or less than the total system processing time. With the time sharing capacity of multiprogramming systems, several jobs utilize the entire system simultaneously which precludes the earlier job costing method (i.e., the sum of the elapsed times of all jobs run exceeds the total system processing time).

Internal reporting

The software package for operating the system may include internal clocks to calculate the precise number of seconds a job had use of the central processing unit, peripheral devices, and core memory. When each component utilization time is multiplied by its standard cost rate, a valuation for the job's cost can be calculated by summing these products. The resulting dollar figure is generated by the system during the run and printed with the job's output; no longer is an operator required to manually log the start and finish times of the job.

External reporting

For systems without the software internal clocking capability, the alternative is to construct a table

of configuration and distortion factors to be multiplied by the standard cost rate for the entire computer system and the elapsed time for a specific job. The effect of these factors is to quantify the portion of the system utilized by the specific job (configuration factor) and to normalize the elapsed time by weighing properly the user's request for priority, core memory, input source, processing tape drives, and output medium (distortion factor). Development of proper factor values requires detailed studies of individual system component costs for each possible component combination (for configuration factors) and of elapsed time data for each possible priority, memory, and peripheral combinations (for distortion factors).

The author advocates external reporting on the basis that the data is "readily obtained and easily applied" resulting in "low cost to install and maintain" for all computer systems, regardless of their software capabilities. In fact, however, the cost of initial factor estimation, in order to be accurate to any useful degree, must be extensive and exhaustive of all component mixes and this is rather costly. If such initial studies are not conducted properly or if they are inadequately prepared, the result will be inappropriate billing costs to the users.

Comparison

One of the major arguments against internal reporting is that such reporting increases system overhead and that software modes may prove expensive. While these increased costs do exist, the external reporting scheme has its comparable expenditures: delays created by the necessity of logging run times by the operators, thus increasing system overhead and idling system capacity, this critic believes. Unless the choice to elect internal reporting is precluded by the system's unadaptability to such software, a system using internal reporting allows no human operator

logging errors and presents an accurate depiction of the actual mode of operation with minimal interference.

BEN L. TRYKOWSKI
Michigan State University

Managerial Work = Analysis From Observation by HENRY MINTZBERG, *Management Science*, October, 1971.

This is a report of a "structured observation" for a one-week period of the activities of the chief executives of five medium to large corporations. It is argued that the "actual content of managerial work" should be understood by the management scientist before he attempts to model the manager as a programmed system.

Fayol's 50-year-old description of managerial work is contrasted with a morning's work for the present day president of a large organization. There is a great need, this author feels, to have a systematic and meaningful description of the actual content of managerial work. Fayol's four words—planning, organizing, coordinating, and controlling—do not describe the actual work of managers at all; they only describe certain vague objectives of managerial work. Several approaches for reviewing the work of managers are considered, including the managerial decision-making process, the manager's interpersonal activities approach, and the "diary" method. The conclusion is that the question—what do managers do?—remains unanswered in the literature.

The "standard observation" method was utilized to observe one-week-period activities of five medium to large organization chief executives. From the original data gathered—the "chronology record," the "mail record," and the "contact record"—conclusions are derived concerning the actual substance of managerial work.

From the study ten roles are selected to represent the distinct components of managerial work. These roles are classified into three groups: (1) those roles that relate to the manager's behavior that focuses on interpersonal contact, i.e., figurehead, external liaison, and leader; (2) roles that relate primarily to the processing of information, i.e., nerve center, disseminator, and spokesman; and (3) managerial roles that are dealing with decision making, say strategy making—these are role playing as an entrepreneur, a disturbance handler, a resource allocator, and a negotiator.

These ten roles suggest that the manager has a great burden of responsibility. He must oversee the systems of the whole organization or its subunits; he must interact with a variety of people within and outside his organization; he must serve as an information link between his organization and its environment; he must make many critical decisions which occur everyday in order to maintain and control the operations of his organization.

Some relationships between the author's three groups of managerial roles and Fayol's description of managerial work can be perceived. The author concentrates on the structure and content of managerial work while Fayol divides managerial activities into a number of functions. For example, interpersonal roles are related to the commanding (directing) and coordinating functions; information processing roles are related to the organization, coordinating, and controlling functions; and decision-making roles are related to the planning, organizing, directing, coordinating, and controlling functions.

The analysis of the study data discloses that the manager performs his work at an unrelenting pace; his activity is characterized by variety, discontinuity, and brevity; and he prefers issues that are current, specific, ad hoc, and that are presented in verbal form.

This implies there is as yet no

science in managerial work. There is a big gap between the manager and the management scientist. The latter tries to analyze and change the manager's working behaviors without understanding it. So the manager finds that he must rely on verbal forms of communications and complains of naive planning while the management scientist complains of disinterested managers.

The first step for the management scientist is to understand the actual content of managerial work. However, this is not sufficient. He must also examine what roles the manager should play, what is the effective way of reducing the manager's workload, and what are the optimal time and resource allocations for an effective manager.

Not only management scientists but accountants must understand managerial work. Accountants play major roles in providing information to managers. The more they know the true content of managerial work the better able they will be to provide needed information. We must describe managerial work more precisely and we must model the manager as a programmed system. Only then shall we be able to make a science of management and management accounting.

W. THOMAS LIN

The Ohio State University

The Financial Control of Advertising by DAVID BRITTON, *Accountancy*, November, 1971.

Based on his broad experience in advertising control, the author has formulated a model which will simplify the development of realistic advertising budgets.

In the introduction to this article the author, David Britton, lists three reasons why accountants should become involved in marketing. His first reason is that marketing is a fascinating subject requiring considerable financial perception; sec-

ond, accountants must learn to speak with authority in marketing to prevent other professions from wresting back the initiative and leadership which accountants have gained; and, third, accountants should be concerned because of the sheer monetary size of the advertising budget.

Service motives

While he expounds on the third reason, Mr. Britton mentions several service-oriented reasons for accountants' involvement which, hopefully, are more typical of the accountants' attitude than such egocentric motives as the second one. Examples of these service motives follow:

1. Accountants have become more accurate in their prognostications. Therefore, they can offer valuable predictive services to marketers.

2. Accountants are disciplined in quantitative presentations which require judgment based on facts, not hunches or dreams. Consequently, they can supply more realistic interpretations of marketing experiments.

3. Accountants are skeptical of the figures presented to them. This skepticism demands a deeper look into the origin of the figures and calls for judgments based on the constraints imposed upon those figures. So accountants can serve marketers by evaluating the estimates upon which marketing decisions are based.

Whatever a reader's opinion of Britton's concept of the accountant's function in marketing, he will probably agree with Britton's deduction: Advertising expenditures are often extravagant when compared to their results.

A practical decision model

Having reached this conclusion, Britton advocates a model designed to help advertisers determine the amount of their expenditures in keeping with their objectives and

select the most effective media in which to spend their allocation. The starting point in the model is a zero advertising allocation. The objective is to answer the question, "Is advertising appropriate? If so, how much?" Britton's model provides quantitative answers to the following questions:

1. How much do competitors advertise?
2. Through what media and agency do competitors advertise?
3. What are the results of competitors' advertisements?
4. How much advertising should our firm buy in various media?
5. What results should we expect from that expenditure?
6. After comparing expected results to actual results, should we alter our advertising scheme?
7. How well has the agency we selected performed?

The model is segmented into three stages which are diagramed clearly. The three stages provide feedback to financial/marketing control pertaining to the feasibility of advertising, the effectiveness of the media chosen, and the change in sales of the product after advertising.

Accountants' responsibility

According to Mr. Britton, accountants have a responsibility in developing the advertising budget. The accountant in industry should seek confirmation that adequate research has been carried out by marketers. If he does not receive such confirmation, he must do the research himself. The public accountant should regard provision of advertising evaluation information as a part of the complete financial service which his clients appreciate. Neither accountants in industry nor public accountants should be surprised if the board starts asking for an evaluation of the advertising policy in addition to the other services presently supplied.

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An Optimum Switch from Double-Declining Balance to Sum-of-the-Years Digits Depreciation by EMIL SUNLEY, JR., *The Accounting Review*, July, 1971.

The author concludes that the optimum year in which to switch from double-declining balance (DDB) to sum-of-the-years' digits depreciation (SYD) depends upon three variables. The relevant variables are 1) the asset's useful life, 2) the salvage value, and 3) the discount rate chosen to find the present value of taxes. Optimizing the switch equates with maximizing the present value of the tax savings resulting from making the switch at the appropriate time.

Before the findings of the article are discussed, the reader should be aware of three points:

1. The article is based upon Revenue Procedure 67-40 which permits switching from DDB to SYD depreciation. In early 1971, the Asset Depreciation Range System was introduced. The "System" provides only for the switching from either DDB or SYD depreciation to the straight-line method. However, the article remains timely since Revenue Procedure 67-40 still pertains to assets put in service before 1971 and to assets put in service after 1971 (if not depreciated under the new "System").

2. Whether a switch to straight-line depreciation instead of to SYD depreciation, is more beneficial in a particular situation is not given paramount consideration. The switch to straight-line always results in a smaller present value of tax savings than does a switch to DDB depreciation.

3. The assumption is made that the useful life of the asset is not revised upon the occurrence of the switch.

The results indicate a constantly increasing function of both salvage value and useful life. Intuitively, one would expect the decision of which year to make the switch would depend upon the amount of the discount rate. However, the dis-

count rate very seldom influences the decision to switch in a particular year.

The author provides a table (Table 3) which indicates how much the switch is worth when made at the optimum time. The measurement of worth is the "percentage increase in the present value of the tax savings resulting from an optimal switch." The tax savings is the difference in taxes paid when using DDB depreciation with a switch to SYD depreciation and the taxes paid when using the best alternative depreciation policy. There are two alternatives to be considered: 1) DDB with a switch to straight-line depreciation and 2) the use of the SYD method throughout the life of the asset.

Little difference

The table shows that there is little difference between the optimum depreciation policy and the best alternative depreciation policy. Generally, the switch results in only a small percentage increase in the present value of the tax savings. The percentage increase is greatest when the salvage value is 10 per cent and the useful life is 32 years, but the increase is only 2.47 per cent.

A second table (Table 4) shows a decision of greater significance. If a company sub-optimizes by choosing the second best depreciation policy, the penalty is not large. However, if the company sub-optimizes by choosing the third best depreciation policy, the penalty can be relatively large. For instance, Table 4 shows that for an asset with a useful life of 40 years and a salvage value of 15 per cent, a switch from DDB to SYD at the end of 13 years yields an increase of 0.36 per cent over the best alternative (a switch from DDB to straight-line). However, a switch from DDB to straight-line increases the present value of the tax savings by 8.64 per cent over the next best alternative (using SYD for the full life of the asset).

The article has practical significance for two reasons:

1. The discount rate has little significance. This fact is very important for those firms lacking the tools or inclination to develop the appropriate discount rate.

2. The author provides a table that indicates the optimum time to switch for varying useful lives and salvage values. This would save considerable computation time for any firms interested in choosing the appropriate depreciation policy.

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Decision Making When Joint Products Are Involved by RONALD V. HARTLEY, *The Accounting Review*, October, 1971.

Using a series of four cases, Professor Hartley develops a linear programming model for analyzing a complex four-product joint processing situation. In a fifth case he presents a generalized model for a two-stage joint product process which includes reprocessing of waste materials. Consideration is given to input resource constraints, productive resource constraints, market constraints, and a variable production function in the model.

Case 1 presents the traditional contribution approach as it relates to a joint product decision. The decision concerning additional processing beyond the split-off point is analyzed for two products, each of which may be further processed at additional cost. In Case 2, resource constraints are added to the problem by placing a limit on the monthly quantity of the joint raw material which is available for processing. In addition, the machine hours available for processing the input resource are constrained. Solution of the linear programming model results in an optimal solution when no final product market constraints have been imposed.

Case 3 introduces a maximum level of sales for one of the joint products and for the product which can be created with additional

processing of the joint product. With constraints placed on the sales of one of the joint products and its further processed product, the solution is not necessarily optimal unless the ability to inventory the constrained products is added to the model. Temporary inventories of the constrained joint product are added to the model and the optimal solution is found. Utilization of the temporary inventory by management is discussed in detail. First, alternative uses in an unconstrained market may be developed and added to the model along with its productive resource requirements and contribution margin. Second, a sensitivity analysis of price-quantity relationships could be conducted to see if a new price and market constraint would result in a better solution. Third, the unsold items could be disposed of and the cost to dispose of the unused product added to the objective equation.

When a joint production process is such that the output mix of the joint process can be changed, a variable production function enters the decision model. Case 4 discusses a linear variable production function which has a linear variable cost associated with changing it.

In the example, the original product mix is 3 units of Product A and 2 units of Product B. The mix can be changed in favor of Product B to a maximum of 2.5 units of A and 3 units of B. A constant per unit amount of \$6 is introduced as the cost of changing the function.

For example, the maximum cost of the change from a mix which includes 2 units of B to one with 3 units of B would be \$6. The variable production function and its costs are added to the model and the optimal solution is presented.

A generalized model which includes the constraints introduced in Cases 2 and 3 is presented in Case 5. In addition, multidepartment processing of joint products is presented for analysis. The proc-

ess begins with a joint resource which is processed into two outputs. These two outputs are processed, with the addition of a constrained input resource, through additional processing departments. Additional processing of one of the products creates a waste material which can be reprocessed into the original input resource. Selling prices, costs, and constraints are considered in a general linear programming model which can be used to analyze the situation.

Poor examples

The linear programming models developed in the article should be useful in analyzing complex joint product problems. However, the reader of the article should be constantly aware of the examples used to illustrate the problems and, in some cases, the inconsistent introduction of constraints. The examples used are not complex enough to illustrate fully the value of the linear programming approach. Market constraints are placed upon only two of the four products, which causes the solutions to go towards the unconstrained products. Further processing of one of the products results in a negative contribution margin and for this reason the product, even though included in the objective function each time, is never a part of the solution. For these reasons most of the examples can be solved using contribution margin per constraining factor, a traditional approach.

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