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What People Write About

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what people are writing about

Long-term readers of this magazine will be surprised at the length of this month's review of books and magazines. The reason is the extreme length of the review of *Management: Tasks, Responsibilities, Practices* by Peter F. Drucker, which opens this section. The editors believe, however, that the importance of Mr. Drucker's latest work to all who are concerned with any aspect of management is so great that the expansion of the review section in this issue is completely warranted.

Management: Tasks, Responsibilities, Practices by PETER F. DRUCKER, Harper & Row, New York, 1973, 839 pages, $15.

Which modern company would come to mind first as an outstanding example of the best in management—Sears, Roebuck or General Motors?

Sears, Roebuck on all counts is the unequivocal answer of Peter F. Drucker in his new book, *Management: Tasks, Responsibilities, Practices.* Sears, Roebuck meets almost all his criteria for the well managed business.

First it identified its particular market, one that had never been tapped before; the country's vast number of farm families who were totally isolated when Sears was first organized and who had no means of shopping except on rare visits to the nearest community. Second, it developed a means of presenting a quantity of every conceivable kind of goods for such families to choose from, showing them pictorially through its ubiquitous mail order catalog. Third, reliability of all the goods and complete honesty in their presentation were decreed as essential since the farmers' very isolation made it impossible for them to return unsatisfactory merchandise.

All of these criteria Sears has met brilliantly, according to the author, for nearly three-quarters of a century. Mail order selling before Sears' arrival had been a frenetic business, consisting of disposal of remnants at inflated prices through exaggerated claims in the mails. Sears reversed all these premises. Its catalog published regularly, became a "wish book" for its farmer clients, and its reputation for complete reliability in what was promised and what was delivered soon became a byword. *Caveat emptor* became *caveat vendor*—Sears' policy from the very beginning was "Your money back and no questions asked" for any dissatisfied customer.

New work approach needed

This radically new approach to selling demanded many things of management that were totally new, buyers for this kind of operation, accountants who could devise controls for the enormous and fast moving inventories necessary, and clerks who could handle the mail orders promptly and accurately.

It even had to develop the first mass production plant in the world. Five years before Henry Ford started his first automobile down the assembly line, Sears had a mail order plant with the "breakdown of all work into simple, repetitive operations, with an assembly line, conveyor belt, standardized, interchangeable parts and, above all, with planned plant-wide scheduling."

Moreover, Sears has kept up with its market. With the coming of the automobile and the end of the farmer's absolute remoteness from even small-town stores, Sears kept pace by opening retail stores in the towns to serve both the old farm customers and the urban working class, now earning more money and wanting a different type of goods. It was still a market with limited purchasing power, but it now wanted what its more affluent countrymen could afford. It was Sears' business to find manufacturers who could supply this market—and to offer them enough sales volume to make it worth their while. So Sears began to manufacture its own goods in such fields as refrigerators, radios, and, later, washing machines.

In effect, a merchandising empire (the most successful in history, according to Drucker), had been built on three cardinal precepts: absolute identification with the customer in a specialized market, scrupulous research into his needs, and absolute honesty in dealing with him.

This has always been Sears' basic operating philosophy: everything for the customer, everything to meet his needs. It has carried the merchandiser into such new fields as high fashion merchandise (as customers' incomes have risen); and into all types of insurance.

General Motors, although it gets high marks for its management from Drucker, doesn't come off nearly as well as Sears. It has been immensely more profitable than Sears, but profit is is not the end result of the most successful management, according to the author.

"The first test of any business is not the maximization of profit but the achievement of sufficient profit to cover the risks of economic activity and thus to avoid loss," says Drucker.

His book, which is far too long, 839 pages, is divided into three sections, "The Tasks," "The Manager, Work, Jobs, Skills and Organization," and "Top Management; Tasks, Organization, Strategies." Of these, the third section is by far the best, except for a fascinating picture of the differing approaches to management training in a Japanese company, a German company, and an American company, which appears in the first section.

Japanese "system"

The typical Japanese company looks like the extreme of the Theory X of management, the carrot and stick approach to working relationships, at first glance. But closer examination betrays some very significant differences that exist between Theory X and the Japanese manufacturing company.

The Japanese worker, bound to his company almost for life, is subject to the same pressures from management and industrial engineers that assembly line workers in Detroit are. But then:

". . . the Japanese industrial engineer does not organize the worker's job. When he has reached the point at which he understands the work, he turns over the actual design of jobs to the work group itself. Actually, the industrial engineer begins to work with the people who have to do the job long before he finishes his analysis. He will study the work the same way his Western counterpart does. But he will, in his study, constantly use the work force itself as his 'resource.' When he has finished his analysis, the synthesis will essentially be done by the work group itself. The industrial engineer continues his activities, but he does so as 'assistant' to the work group rather than as outside analyst."

The Japanese worker also takes responsibility for improving his tools. Machines are, of course, designed by the engineer, but when a new machine or a new process is being introduced, workers are expected to take an active part in the final adjustment. In many instances, the work force actually participates in machine design; it acts as a resource to machine or process designer.

This system is reinforced by continuous training. Every Japanese employee, including top managers, keeps attending weekly sessions from employment until retirement. Sessions are not run by trainers, but by the participants themselves and their supervisors. The sessions do not focus on any one skill. They are attended by all workers on a given job level; and they focus on all jobs within the unit. Their focus is the working of the entire business rather than the individual job of any one man.

The "godfather"

There is another peculiarity of the Japanese "system" which produces uniformly good results—a "godfather" training approach that has more than a few of the characteristics of the old apprenticeship, which produced the workmen whose loss we have been lamenting for years. Japanese workers under their industrial system are divided into three classes: industrial workers, clerical workers, and management workers. These are rigid classes, with no crossover from one to the other. But within the managerial class, from which, eventually, top managers will be selected, each worker is assigned a "godfather," someone in the management ranks of the organization who will look after his ward, be his mentor, and guide him in the organization. He may not be the man's boss, although he is always in a superior position, he may not even be in the same division, but he is always there for advice, for counseling—and for evaluation.

For it is his godfather who determines the young manager's ultimate destiny. Once a man has been accepted into the managerial group in a Japanese company his career is set. Whether good or bad, he will be given the same promotions and the same increases in the company. If he is impossibly bad, he may be shunted off to a dead end job. It won't affect his seniority or the pay increases based on seniority. All continues this way until he is 45. Then everything changes. The future directors of the company are chosen, the future top management. The others of their age group are retained in management but their chances to reach the top have vanished. They will work, still getting their seniority raises, until they are 55. Then retirement.

Those selected for the top positions, however, can work as long as they are able. There is no mandatory retirement at the top.

And the godfathers of the young candidates have a very influential, although not precisely spelled out, role in deciding who is top management material and who is not.

The examples of successful managements Drucker draws from Germany and the United States come significantly from one company in each instance instead of an entire business community. Moreover, the two companies chosen, the Zeiss Optical Works in Germany and IBM here, share at least one of the characteristics of Japanese industrial organization. At Zeiss the great innovation was participation by the skilled worker together with the university-trained scientist in the design of the most complicated types of optical glass. Zeiss also introduced continuous training for even the most highly skilled workers as well as the scientific designers. The focus, as in Japan, was not on training for promotion but on training for improvement of skill, tool, process, and product.

"Feedback" introduced

Zeiss added one ingredient not in the Japanese formula: feedback. "A craftsman is always in control of his work" was the company byword, and this meant constant flow of information back to each worker on his output and its quality.

The third example of a highly successful management, IBM, uses adaptations of the same Japanese and Zeiss principles. IBM makes incredibly complex machines, using only semiskilled labor for the most part. Each stage in the assembly is broken down into a homogeneous group of tasks, each well within the competence of the worker. The operations themselves are engineered to be as simple as possible, but each worker is trained to be able to do as many of them as possible.

IBM's "assistants"

IBM also discarded supervisors. It has instead "assistants." This is not a mere change in terminology. "Assistant" is exactly what he is. Assistants are there to make sure workers know their jobs and have the proper tools. They are not bosses and they have no disciplinary powers.

In each department there are also job instructors—senior workers who help the other workers learn higher technical skills and solve particularly knotty job problems.

Finally, IBM has another characteristic that is shared by both the Japanese system and the Zeiss Optical Works. In IBM's case it seems to have developed more by accident than by design, but it proved so successful an accident that it immediately became standard operating procedure for the company. One time a computer model had fallen well behind schedule, so much so that production had to begin before engineering work was fully complete. Final details had to be worked out on the production line with engineers consulting constantly with "assistants" and workers. The result: a much better computer than any the company had ever produced.

Ever since then, before IBM launches a new design or a major renovation of an old one, the project is assigned to a work crew before it is fully designed. The "assistant" on the floor becomes boss of the crew working in it and he, his workers, and the engineers create the final design. Then assistant and workers plan the production layout and set up the individual jobs needed to produce the new machine.

The one characteristic that distinguished these three national examples, according to Drucker:

"The Japanese, Abbe at Zeiss, and Thomas Watson, Sr., at IBM based managing workers on workmen organizing responsibility."

The last third of the book defining top management—tasks, organizations, strategies—is the one that will probably be of greatest value to readers of this magazine. Drucker starts by summarizing the basic specifications of a top management structure:

"The starting point is an analysis of the top-management tasks.

"Each top-management task must be clearly assigned to someone who has direct and full responsibility for it.

"This requires a top-management team, with responsibilities to fit the personalities, qualifications, and temperaments of the members.

"Whoever has assigned responsibility for a top-management activity is 'top-management' whatever his title.

"Except in the small and simple business no one who has top-management responsibilities does any but top-management work.

"The complex business requires more than one top-management team, each structured according to these rules."

The most significant question any management can face, according to Drucker, is "what is our business and what should it be?" And only top management, unhindered by operating or functional duties can answer that. Sears, Roebuck, with its simple mission, to supply all the needs of an isolated, rural population well, reliably, and honestly, saw that and prospered. RCA, in spite of its leadership in radios and phonographs, failed miserably when it attempted to merchandise a line of kitchen appliances. Radios and phonographs are "furniture." Kitchen appliances are kitchenware. The buyers are the same but they have distinctly different ideas of the two products. They are, in effect, two different markets, and woe to the manufacturer who ignores this.

Other examples abound. General Motors, which, when it began manufacturing diesel engines, set up an elaborate separate organization for railroad diesels, recognizing that it had little experience with railroading and would have to approach it carefully. But with airplane engines? Just another variation on the automobile business. Only it wasn't. General Motors launched a fine and healthy diesel locomotive business which soon dominated the market; its Allison Division, which manufactured the airplane engines, never did too well.

State of the board

Mr. Drucker discusses the board of directors, which he thinks in its present state in this country is a dangerous anachronism serving no useful purpose. However, he believes a board is necessary and proposes two different kinds.

One: A business board, which can act as a group with whom top management can consult, which can serve as a review organ on management's acts, which can review top management and fire it if necessary, a control group in other words.

Two: A public and community relations board to represent all the constituencies that management can never know until it is too late: the community, the workers, the customers. Each of these has a legitimate interest in the company and its products, and its voice should be heard. Moreover, its value to management lies in what it can reveal as to the public's thinking about the company.

It would be interesting to imagine just what the oil companies' public status would be right now if any one of them had had such a public interest board at the beginning of the Arab oil embargo. Undoubtedly many of them viewed the embargo as an unparalleled opportunity to increase their profits. What it has turned out to be is an unparalleled opportunity to attract consumer fury, to invite searching Government inspection, and to create public demand for inquiry into taxes, oil records, oil assets, Administration cooperation, and a host of other matters the oil companies could very well have done without.

The bulk of the Drucker book is given over to discussions of top management organization, the pros and cons of strategies and structures, of whether it is better to build from within or acquire another company, when it is best at all costs to not acquire another company, the sympathetic "fit" and the totally alien "fit" if another acquisition is made, the right size for a company, and how to build to that size if too small, how to cut down to that size if too large.

For example, Drucker cites American Motors (before the gasoline shortage) in spite of its large size in terms of total volume, 300,000 cars in annual production, and sales of $1 billion, as being still too small to be viable against the Fords, the Chryslers, and the General Motors. Making the same kinds of cars these giants do, forced to the same annual rhythm of model changes, American cannot possibly build the distributorship and service network needed to sustain its market, he maintains.

Volkswagen, however, which capitalized on the fact that it never did have a model change, could and did remain viable, with a far smaller total volume than American Motors.

One company had found its market—or its niche in the total market—appealed to it, and merchandised a product almost exclusively for it. It prospered. Another, much larger, attempted to attack the giants of its industry, instead of finding its own niche in the market. As a result, it was floundering until the wholly fortuitous gas emergency suddenly gave its sales a shot in the arm even while it crippled its competitors.

But if the competitors—or even one of them—can recover fast enough, and grind out enough small, low gas-consumption cars to compete with American, then their superior distribution and service network could turn the tide again.

The Drucker book is, as already has been pointed out, far too long. But that does not detract from its essential richness. Nor its essential accuracy. For example, consider how many of the cardinal management rules have been conspicuously flouted by major American companies that have become most famous for their spectacular failures. Take just one, the Penn Central railroad, up to its time, the greatest bankruptcy in American history.

"1. The starting point is an analysis of the top management tasks . . ."

Penn Central's most salient characteristic was complete confusion at every level of management. Every executive had as deputy someone from the other railroad, so that no one ever knew from minute to minute what decision would come from any given office. Whoever was sitting at the desk at the time . . .

"2. Each management task must be clearly assigned to someone who has direct and full responsibility for it."

See 1 above.

"3. The complex business requires more than one top-management team, each structured according to these rules."

Here Penn Central exceeded the precepts, having no less than three management teams. The trouble was, that not only did each executive on each team have a deputy who didn't know what his chief was doing; no division knew what the other divisions were doing. A worker in the financial division could be fired—and often was—if he was observed talking in the hallway with someone from an operating division.

Summary

Mr. Drucker has written his usual thoughtful work, and he has shared many provocative insights, as well as much knowledge of management in all its aspects in nearly every nation. The book covers its subject in every possible guise and abounds with examples of companies that nearly made it but didn't quite. It's a compendium of mistakes, with names, dates, and reasons, as well as a brief recital of the success stories.

It's a good book, in other words, and one that every manager should read carefully.

R.M.S.

The Encyclopedia of Management by CARL HEYEL (Editor), Second Edition, Van Nostrand Reinhold Company, New York, 1973, 1,152 pages, $32.50.

Every broad-gauged adviser to management can recognize the need for a concise but comprehensive reference work covering the full spectrum of managerial disciplines. This appears to be the need which the one-volume Encyclopedia of Management *was designed to fill. It does a commendable job.*

This revised edition of a book originally published in 1963 contains over 300 alphabetically arranged entries prepared by 200 contributing authors. Each entry provides a "quick study" briefing on a specific management function or science. The length of the individual entries averages about 3½ pages (2,500 words), but ranges from an overly ambitious 33 pages on "Statistics" to a surprisingly superficial half-page on "Accounting." (In fairness it should be mentioned that the "Accounting" entry is followed by over 20 cross-references to other sections of the book.)

You will not become an expert on anything from the pages of this book. But the researcher who wants ready access to a quick and authoritative overview of a particular discipline, along with a useful exposure to its "buzz words," will keep the volume within easy reach. The typical entry provides an intelligible introductory briefing on a single topic, along with cross-references to related entries. Each entry also cites a well-chosen and, mercifully, limited selection of books, articles, periodicals, and trade associations suitable for further research.

The editor uses an interesting technique to make the book more attractive to the serious reader despite the necessary shallowness of some of its individual entries. For each of 25 broad topics (such as executive development, accounting and control, public relations), a "Guide to 'Core Subject' Reading" lists pertinent entries as recommended reading. By studying each of these entries in a specified sequence, the reader can (it is claimed) obtain in-depth information on the selected topic.

Subjective bias is an unavoidable factor in editing an encyclopedia—and also in reviewing one. Still, to this reviewer, there appear to be a number of flagrant imbalances in the subjects covered and in the space allotments. The justification for devoting 2½ pages to an obscure and arcane concept called "Operating Margin Analysis" is not clear. The discussion of "Punched Card Data Processing," complete with functional descriptions of collators, interpreters, and summary punches will impart more nostalgia than useful information. Yet nowhere in the eight-page "Index" can mention be found of such accepted techniques as direct costing, profit planning, sensitivity analysis, or short interval scheduling. Also lacking from the "Index" are the words ecology, environment, and energy.

On a subject of somewhat personal interest to this reviewer, it would seem desirable to combine the entry on "CPA: Role in Management Services" with that on "Management Consulting." Though each of these essays is informative and well-written, they present surprisingly dissimilar parochial perspectives of the same basic topic.

On balance, though, it is a very valuable book, particularly to the management generalist.

JOHN R. MITCHELL
Director-Management Advisory Services Division AICPA

How to Manage the Boss or The Radovic Rule by IGOR RADOVIC, M. Evans & Company, Inc., New York, 1973, 155 pages, $5.95.

Written for the "genuine" subordinate who holds no dreams of ever being propelled into the ranks of superiors, this book provides a humorous look at how executives appear to their underlings.

First look at this title tells the potential reader, "Here's another one of those 'rib ticklers' on how to make it into the executive suite." Blessedly, this book has a different twist to it.

Advantages of subordinates

The author "has a very powerful subordinate position at a large international bureaucracy," and, as he tells his readers, it is this type of job that allows the average individual to achieve independence and success on his own.

"In comparison with the executive aspirant, the real subordinate fares infinitely better: He does not depend on his Superior for the fulfillment of his ambitions, for he already has the job he wants; and he does not have to worry about keeping his job either, for few positions are as secure as those that are shunned by job seekers and are difficult to fill. The real subordinate can have both the satisfactions and advantages of being his own master and pay no price for it."

If this is true, why are so many people scrambling to get on up the corporate ladder? Dr. Radovic says that it is because common sense is uncommon, but vanity is rampant. While executive jobs may be in short supply, there will always be subordinate posts, he assures his readers.

"With technology on the march, and its administration more than keeping step, there is no danger of the bountiful supply of seemingly repulsive jobs drying out in the foreseeable future. (Remember the computer, heralded as the bane of drudgery and the greatest labor-saving device of all time, which ended up creating many more unpopular jobs than it ever eliminated?)"

In whatever job the subordinate chooses to roost, he must demonstrate "expertise," never "ability" (which implies promotability). "Expertise" is easily acquired by anyone, the good doctor states, simply by "smothering the obvious in the irrelevant and the obscure, preferably to the accompaniment of solemn motions and oracular incantations."

Dr. Radovic advises that once a suitable niche has been found, the subordinate should diligently study the rules and regulations of the large organization. It is through the strict adherence to these that such jobs as those of elevator operators in automatic elevators and firemen on diesel and electric trains have been preserved, he notes.

Dependence of superiors

The superior's dependence on the subordinate can be used to make the superior more receptive to the dominant management role of the subordinate, he states. He gives the example of an assistant to the controller in a Minneapolis-St. Paul furniture company. The assistant would have to coach the controller for days in order to enable him to make a presentation of the balance sheet and income statement at the quarterly Board of Directors meeting. The assistant was never given any recognition by his boss. However, once the assistant became ill and the controller had to prepare the presentation on his own, nearly costing him his job. When the assistant returned his boss was very considerate of him.

"The assistant quickly pieced the new picture together, saw the light, and then made sure the change was permanent by regularly mentioning recurring kidney-stone troubles at about the times the Board of Directors was due to meet," Dr. Radovic recalls.

Other advice given: Subordinates should help their superiors by passing on news of executive in-fighting, thus diverting the superior's attention. Also the subordinate should develop friendships with VIPs, securing his place in the eyes of his supervisor. A few compliments to superiors are often in order, but on occasion egos must be brought down to size lest the executive suffer from the "Black-and-Blue Chest Condition brought on by relentless chest thumping. This affliction is in turn usually accompanied by a severe cranial tension which is the result of an ego much too big for the size of the sufferer's head (and leaving no space in it for any thought and concern for the subordinate's welfare)." Dr. Radovic's remedy for this disease: "laudatory Chinese acupuncture, to bring down the pressure in the head and numb the simian chest-thumping impulse."

Another Radovic observation is that "the role of the secretary is not decorative but strictly functional." He suggests that a subordinate and his secretary should work as a "partnership." But he is not above male chauvinist attitudes when he: heads a chapter "The woman executive"; quotes Sigmund Freud; writes *"Defies analysis. Best avoided"*; and thus concludes the chapter.

This little book should be entertaining to anyone who has ever been someone's subordinate (which excludes very few people) and especially valuable to the executive who has forgotten how much he depends on his subordinate.

L.H.D.

How to Cost Your Labor Contract by MICHAEL H. GRANOF, The Bureau of National Affairs, Inc., Washington, D.C., 147 pages, $10.

A CPA reports and evaluates the way in which eleven large U.S. corporations cost out their labor contracts. He suggests that the discounted cash flow model may be an important aid in collective bargaining.

"Presently used procedures to evaluate contract changes do not provide labor relations managers with an adequate understanding of the potential impact on profits of alternative proposals under consideration," this author charges. With few exceptions, he states, procedures used to evaluate contract changes are deficient because they: 1—Utilize cost calculations that are oriented toward the past; 2—Consider only the direct ramifications of contract changes and emphasize cost rather than effect on profits; 3—Use algorithms that are sometimes improper (for instance, neglecting changes in benefits negotiated).

Applying DCF to contracts

The discounted cash flow (DCF) method requires that cash flows be adjusted to reflect interest that is gained or lost because cash is received in the future rather than in the present. Both capital expenditures, to which DCF is often applied, and labor contracts involve long-term commitments and varying patterns of cash flow. In fact, Dr. Granof notes, if one accepts a sufficiently broad definition of "capital expenditures," labor contracts could be considered one type of them.

Among the reasons the author gives for finding DCF particularly attractive for making labor contract decisions are:

"1—The model specifically takes into account the time value of money.

"2—The model provides a frame of reference for a thorough and systematic analysis of the financial impact of a proposal. It enables management to take into account operational changes that the firm is likely to make in order to adjust to the new contract.

"3—The information returned by the model is easy to understand, and since the model summarizes the value of a proposal in a single figure, it facilitates comparisons among alternative proposals.

"4—The model avoids problems of allocations inherent in evaluation techniques based on 'accounting' income."

Common practice in labor negotiations is to evaluate contract proposals by comparing their cents-per-hour effects. Dr. Granof believes that the traditional cents-per-hour figure is inappropriate since it is based exclusively on historical information.

The cents-per-hour cost represents: the net cash effect of contract proposals for a given projected operating response divided by the number of anticipated productive hours.

"The basic characteristic of the required data is that they must represent the labor input of future activities and must recognize the interrelationships between labor costs and other aspects of the firm's operations," the author points out. He describes the factors that must be considered in determining the cents-per-hour cost. These include: effect of direct wage increase on fringe benefit costs, cost-of-living adjustments, compensation for time not worked, and overtime premiums and shift differentials. He gives an illustration of how the cents-per-hour cost of a multi-year contract would be computed for the first year.

Although the author concedes that few, if any, firms currently use the discounted cash flow model for evaluating contract proposals, he believes that it is a feasible technique. One of the eleven firms he studied identifies critical cash flows associated with contract changes, gives consideration to modifications in its operations, bases all labor-cost projections on its "estimated planning volume," and determines the impact of contract revisions on cash flow and profit. For this firm, and others like it, the discounted cash flow model could be used with only a relatively minor extension of the techniques presently employed, Dr. Granof states.

"The model enables firms to utilize information which they currently compile and which would be available to them at no additional cost. Even if companies elect not to introduce present value into their evaluations, the analysis that they perform is likely to lead to greater understanding of the effect on profits of contract revisions," the author concludes.

Dr. Granof's research was supported by the William Paton Fund of the University of Michigan Graduate School of Business and the accounting firm of Ernst & Ernst. L.H.D.

The Management of Problem-Solving: Positive Results From Productive Thinking by GRAHAM TARR, Halsted Press, New York, 1973, 160 pages, $11.75.

As CPA consultants become more involved in social problems, interdisciplinary teams are being organized. How these and other think-tank groups can be managed most effectively is discussed in this book.

Graham Tarr's career has moved from engineering, to applied technological research, to a techno-military think-tank, and then to civil operational research and economics. He headed a group of projects for the United Kingdom and led a United Nations team.

Unfortunately he does not offer any sure ways of controlling the costs for a problem-solving group. He suggests that the group leader should give the project leader a budget that is a little tighter than he finds comfortable and then add on a contingency for the unknown.

"Some time ago I tried to keep contingencies secret, and went as far as having two separate and detailed project budgets (one for management, and one for the project team), but it was not much of a success. The gaff was always blown by someone. The best approach seems to be to have an openly admitted contingency, but to bring it home to all concerned that they are considered rather less successful when they eat into it."

Mr. Tarr firmly believes that fewer people working for longer is the most productive use of problem-solving groups. Crash projects produce the worse answers.

"But when the money is limited, the case for splitting it between parallel teams is very weak unless the decision-maker really distrusts all of them. A single team, well coordinated and with an imaginative approach, given all the available resources, will generally produce a better result."

Differing group attitudes

One of the major themes of the book is that more attention to human needs of the problem-solving group's members is necessary. For instance, the author suggests a spirit of "intellectual charity" be fostered in an interdisciplinary group consisting of arts, engineering, and economic types.

"The engineer sees in himself someone practical, precise, and with a sound understanding of the mechanical and dynamic behaviour of the universe; he tends to think of the arts man—and by implication the economist—as always talking about the problem but never sitting down to describe it systematically with real numbers. Engineers seem to find difficulty in believing that there is as much complexity in a piece of legislation, for example, as in the mathematical description of a mechanistic system, and that the intellectual and logical demands made on the arts professions are equal to those made on his own.

"The arts man, on the other hand, knows that the world is full of people and feels that if you can solve the problem in human terms you have done the hard part; he has nothing against the engineer, but thinks of him as a technician to look after the nuts and bolts of the problem after he has finished with it. The economist veers backwards and forwards . . . and believes he understands both approaches and can do a better job on each of them."

Mr. Tarr warns that lack of charity is even more common in examining the work done by outside groups. He pragmatically notes, "This is less harmful, of course, and does at least liven up the day: what happier sight than an analyst guffawing over the fatuity of someone else's report, or showing it to his colleagues in amused disbelief. It allows him full rein of his critical powers without the need to be polite, which is a healthy form of relaxation."

However, after such relaxation, Mr. Tarr recommends someone bring the group down to earth by saying, "Ah, well, I expect they're saying the same about our last report."

Using assistants to do routine work is a waste of professional staff time. The author suggests that instead temporary employees be recruited from the computer department's key punchers or local college undergraduates or the clerical staff of the organization being analyzed.

Another suggestion he makes to group leaders is that they spend a good deal of time making rounds from one desk to another discussing techniques and making suggestions.

Mr. Tarr's book is rich in team management suggestions, yet not cursed with dogmatism. Sometimes he strains for folksy analogies ("Problem-solving is more like the painting of a picture than the painting of a house"), but generally his writing is succinct and thought-provoking.

L.H.D.

How I Turn Ordinary Complaints Into Thousands of Dollars: The Diary of a Tough Customer by RALPH CHARELL, Stein and Day, New York, 1973, 192 pages, $6.95.

Mr. Charell has been cited in the Guiness Book of World Records *as "the world's most successful complainer." In his book he tells how he defended himself, profitably, against adversaries with greater resources than his own.*

The voice of the irate consumer is being heard more often these days and most companies are aware of it, willingly or unwillingly. One of those who is not content to grin and bear it is Ralph Charell, a Columbia Law School graduate and a former television network programing executive. He has made a hobby of speaking up when he thinks he's been wronged.

"More and more often, we are forced to deal with unaccountable employees of large conglomerates, or faceless bureaucrats whose telephones are busy, out of order, or worse, left unattended while they filch an extra coffee break or otherwise extend their on-the-job semi-retirement. Shoddy, overpriced goods and poor services are a commonplace," Mr. Charell writes.

Unnecessary fears

"What can be done to correct these imbalances? All too often, the amount of time and effort involved may seem prohibitive, or we may fear that our credit rating is subject to computer annihilation if we justifiably withold payment. If we are to be relieved of being continually tossed up in blankets, thrown down interpersonal air shafts, stuffed into social drainspouts, and put on hold buttons that end only in disconnect signals, we must come up with a new approach. New methods of coping with myriad affronts, intransigent rudeness, deceits, incompetencies, obfuscations, procrastinations and other unwelcome business practices must be developed quickly if we are to survive."

Mr. Charell outlines the methods he has used in his confrontations with such opponents as Hertz car rental, New York Telephone, Con Edison, his landlord, a doctor, a lawyer, and well known New York City stores including Saks Fifth Avenue, Macy's, and Barney's Clothes. As proof of his victories, reproductions of his refunds and compensative checks are included. Copies of his letters are also provided for the reader's instruction.

Sometimes it does seem that Mr.

Charell was unreasonable and that he spent more time than was cost justified in rectifying the situation. However, he says his selected adversaries were resistant to usual appeals and he spent less time pursuing them than other people use for their hobbies (such as watching football).

Hire an actor

To carry out some of Mr. Charell's tactics you have to be pretty self assured. For instance, he often tells people his time is worth $100-150 an hour and he has already wasted too much of it on the matter in question. He suggests that when a case is likely to be settled out of court, an actor be called in to play the part of your lawyer. Not only is an actor cheaper, but you can hire one who looks exactly the way you want your attorney to look.

"Nor, as is often the case with attorneys, can he pressure you, directly or indirectly, to accept the other side's ridiculous first offer. Additionally, you, the client, will not be intimidated by your representative as is the case in the typical lawyer/client relationship. You will also not find him difficult or impossible to speak with, because you have purchased his time on a preemptive basis."

When he felt he was not given the full bonus he was promised by his former employer, Mr. Charell asked an attorney's opinion of his case. The lawyer told him without a written contract there was no case. So Charell handled the case himself and received an additional $475.

This entertaining little book shows how one angry man can fight off an army of bureaucrats. It is especially good light reading for people in customer contact jobs and for customers who have suffered inept contact.

One thing is sure: if you meet Ralph Charell, give him what he wants. It will save time all around.

L.H.D.

Corporate Wives — Corporate Casualties? by ROBERT SEIDENBERG, AMACOM (a division of the American Management Association), New York, 1973, 177 pages, $10.

Dr. Seidenberg gives further consideration to the topic he discussed in an essay in The Wall Street Journal, *"Dear Mr. Success: Consider Your Wife."*

When the author's *Journal* essay appeared, he received many letters confirming his observations. Women wrote to say that, indeed, they were losing a sense of themselves as they transferred from community to community with their corporate husbands. Although his working credentials were transferable from one job situation to the next, her community and business standing often weren't.

This is a new slant on the problem of executive mobility, a topic which social commentators have written about for quite some time now.

"People do survive a dozen or more moves—a tribute to their iron will and determination—but the cost in withering and alienation may be staggering. Biologically the human organism can withstand a great deal, as our space probers have clearly demonstrated. However, it is often the exercising of societal and community prerogatives which involve power, status, and authority, that changes *existing into living,*" Dr. Seidenberg writes.

The psychiatrist points out that the problem of losing credentials is not confined to the wife. If it were not for the emphasis Dr. Seidenberg puts on how the Women's Liberation movement is providing new moral support for women who want to follow their own interests, this book could have been called, "Corporate Families — Corporate Casualties." He tells of cases where women and children refused to go along to new communities and forsake their standings in the old ones.

"Up until now we have tried to explain these statistics and upheavals as cases of individual 'sickness,' 'immaturity,' and 'selfishness.' This type of name calling will no longer serve to deal with basic inequities and mythologies in our social structure. Our world has changed beneath our feet—past palliatives and platitudes suffice no more," Dr. Seidenberg states.

Even corporate management shows signs of being aware of the defects of executive mobility. The book cites a survey that found in 1970 two-thirds of questioned executives expected to be moved every three years, but in 1972 only 37 per cent had the same expectation.

New corporate approach

Although the book does contain a good deal of summarization of other published works, it also contains many new case histories and Dr. Seidenberg's own social observations:

"Corporate children have been witnesses to the discord and suffering of parents who have often been destroyed by the very success that was to save them. Marriage and conventional family living have little appeal for many young people today, having seen the disasters in their own well-fitted but ill-fated homes," Dr. Seidenberg observes.

He suggests that instead of ordering executives to relocate, corporations let all qualified employees know of a job opening in another area. In this way, those who want to move can and those who don't are not penalized for being "uncooperative."

"Granted that there are sharp limits to free choice in these matters, no one can deny that there is plenty of room short of anarchy for alternative ways of handling job assignments and business trips that would be entirely consistent with the movement toward humanizing corporate life," the psychiatrist writes.

Also, he believes the achievement motivation of *both* mates may one day in the not too distant future be essential factors in recruiting and transferring employees.

When the doors of the executive suite are finally open to women, "corporate wife" may take on a completely different meaning. Dr. Seidenberg comments, "Entering high-level employment successfully entails much more than opportunity, enthusiasm, and goodwill for a woman. If she is married she will be faced with handling a new creature on the domestic front—the corporate husband. Will he be able to withstand the fantasy (or reality) of being 'cuckolded' by his wife for another interest that takes her away from him? Will he feel comfortable about her missing dinner for that evening meeting or being absent for days on an important business trip or convention? And what will happen when a company has to transfer a female executive from one city to another?"

These are only some of the provocative questions that this book raises and that, one day, corporations and the individuals who staff them will have to answer for themselves.

L.H.D.

Strategies for Survival by DAVID F. LINOWES, AMACOM (a division of the American Management Association), New York, 1973, 231 pages, $9.75.

In the face of current social problems, this CPA suggests that proven business and management techniques be applied to the public sector. Some applications of socio-economic management are taking place, but "we cannot afford so slow a pace," Mr. Linowes warns.

David F. Linowes is a partner in Laventhol Krekstein Horwath & Horwath, vice chairman of the AICPA trial board, and a member of its committee on social measurement. He is also a prolific writer on the topic of socio-economic management and has written articles for *Nation's Business*, *The New York Times*, and *Journal of Accountancy*. This book gives him a chance to fully explain his ideas about how business skills can aid in curing society's ills.

"What we desperately need are ways and means of improving social earnings (fulfilled human needs) along with traditional corporate earnings. Part of the solution lies with the technology, the very phenomenon that has contributed to so many of the problems. . . . I refer specifically to those aspects of technology that deal with management systems and management information—computer technology, the technology of cost effectiveness, and accounting technology," he writes.

Socio-economic rules

Socio-economic management is based on the premise that profit can be measured in terms of human needs met, as well as dollars earned. He sets forth ten rules of socio-economic management:

"1—Tie standards and goals to proven human needs.

"2—Apply funding by results.

"3—Use discretionary funding as incentives.

"4—Use multidisciplinary planning.

"5—Set up social profitability audits.

"6—Establish public visibility.

"7—Prune and restructure for dynamic growth.

"8—Vary the input mix.

"9—Stir up social competition.

"10—Fix responsibility for applying SEM [socio-economic management]."

He is completely opposed to putting money into social programs that do no achieve their goals. Funding without measurement of achievement doesn't work.

"New York City is perhaps the furthest along in the implementation of sophisticated measurement and, hence, productivity improvement techniques. In the late 1960's, it set up a modified planning-programming - budgeting system (PPBS) to analyze its operations. Among the results were a new fire response policy, the use of 'slippery water' in fighting fires, and new air pollution legislation."

But socio-economic management has been applied in other areas. He describes projects in: Cook County, Ill., Sewickley, Pa., Phoenix, Ariz., Charleston, W. Va., Denver, Colo., and Richmond, Va.

Socio-economic management is being applied to social institutions but the pace is too slow. He makes some action recommendations designed to hasten the applications:

"1—Create exciting incentives.

"2—Cash in on over-60 expertise.

"3—Refine and expand the art of technology transfer.

"4—Enlarge funding of social research groups.

"5—Launch a 'businessmen for SEM' movement.

"6—Educate young SEM activists.

"7—Sell Madison Avenue on 'selling' America.

"8—Create 'Distinguished Social Service Awards.'

"9—Expand SEM task force activity.

"10—Activate political support for SEM."

Although a few experiments in public problem solving have been made in the areas of health, education, and city government, they have been extensively publicized; and they have been only experiments after all. There is a mass of stagnation in the public sector, Mr. Linowes observes, and it is time to make waves.

L.H.D.

The Use of Computers for Management in Industry, INTERNATIONAL CENTRE FOR ADVANCED TECHNICAL AND VOCATIONAL TRAINING, Turin, Italy, 1973, 272 pages, $3 (paperbound). The book can be ordered from the Bookshop, International Centre for Advanced Technical and Vocational Training, 140 Corso Unita d'Italia, I-10127 Turin, Italy, at $3 per copy plus $2 postage for North America.

This paperbook, the proceedings of a symposium of U.S. and Russian *computer specialists, is probably of value more as a symbol of an unusual event than for the actual content, but those with professional interest in either the USSR or computers may find something of technical use in some of the papers.*

"The unprecedented seminar" on which this book was based took place in July of 1970. The Soviet group, led by Dr. J. M. Gvishiani, deputy chairman of the state committee of the USSR Council of Ministers on Science and Technology, included economists, industrial ministers, systems managers, and professors. The American delegation, led by Richard M. Cyert, then dean of the Graduate School of Industrial Administration of Carnegie-Mellon University, Pittsburgh, included mostly professors and deans, with a few representatives from industry.

Twenty-one papers are reproduced in the book. The American ones dealt with such subjects as the impact of computers on management, a model for resource management in a growing market, techniques of systems analysis and design, industrial applications of linear programing, simulation of the job shop process, applications of microsimulation to production management, forecasting, the use of data transmission in large American corporations, how to organize the introduction of computers, computer languages and systems development, and the role of industry in education for information processing. For the most part they plowed familiar ground, probably reflecting uncertainty as to just how familiar the Russians were with American computer development.

The Russian approach

The Russian papers, in contrast, dealt with such topics as an economic model of the management of an industry, mathematical modeling and optimization methods in control of discrete production, some aspects of software for program control, long-term technological forecasting, problems in design of real-time control systems, methods of optimization of the size of an industrial enterprise, stages of development of automatic control systems of enterprises, university programs for training specialists in automated management systems, and training of industrial personnel for work with computerized management systems. All were highly mathematical, apparently designed to impress the Americans with Soviet technical expertise. Whether they are impressive or not is for the computer specialist to judge.

This book will probably be of great value to professional Russia-watchers and possibly to some computer specialists. For the rest of us its significance lies in the fact that the conference took place and that there probably will be others.

L.S.

I Hate to See a Manager Cry or How to Prevent the Litany of Management from Fouling Up Your Career by MARTIN R. SMITH, Addison-Wesley Publishing Company, Reading, Mass., 1973, 209 pages, $5.95.

The worst possible error made by men who seek to improve their business performance by study is to believe all the junk prescribed by lecturers and texts on achieving management success, this author declares. Instead, he suggests, aspiring businessmen should try the advice contained in this particular management text.

The author of this book describes himself as "an insider" in management. He says he has managed functions in production, quality control, industrial engineering, and production control; was associated for a time with a national management consulting firm; and currently is an independent consultant.

This biography, which specifies no corporate names, is somewhat vague, to say the least, and the reader is left to wonder whether Mr. Smith so veils his identity because he fears that the iconoclasm of his style will hurt his professional reputation or whether he is genuinely obscure. After reading the book you will be inclined to suspect the latter.

For Mr. Smith's iconoclasm, as is the case with so many books of this genre, turns out to be little more than a device to attract attention. He starts off boldly enough attacking "the following golden rules (or variants of them) for achievement of executive success:

"1. Be nice to people. 2. Learn technical competence. 3. Don't pass the buck. 4. Admit your mistakes. 5. Give credit where due. 6. Act inspired. 7. Communicate well. 8. Plan ahead. 9. Be loyal. 10. Think."

Promise soon evaporates

"Unsuspecting managers who allow themselves to be influenced by all of this are not only headed for ignominy, but they are liable to become raving idiots to boot. Even if it were possible to assimilate and practice all of these rules, they are no guarantee of success. In fact, they are misleading if only because they neglect to establish the hard core business realities—the way things really are."

But when he gets down to cases in the main part of the book, his advice is far from earth-shaking. All of it has been said before—much of it by Robert A. Townsend, whom the author admires, but much of it also by Lyndall F. Urwick and other authors on management of more academic bent.

Book of moderate benefits

The book consists of a series of brief prescriptive essays, loosely grouped under such headings as "Recognizing Management Diseases"; "Circumventing Corporate Politics"; "Handling Corporate Personalities"; "Debunking Accepted Personnel Theories"; "Getting There: Selecting the Right Job"; "Staying There: Techniques for Success"; and "Moving Ahead: Doing the Right Things." The advice is for the most part sound, and the style is lively and anecdotal. All in all, this is an entertaining, moderately worthwhile book but not one that is likely to change anyone's life.

L.S.

Briefly listed

Selection of Terminals and Data Protection by the ASSOCIATION FOR SYSTEMS MANAGEMENT, 24587 Bagley Road, Cleveland, Ohio, 1973, 38 pages, $4 (paperbound).

This booklet is designed to assist the manager in selecting remote terminal computer equipment suitable for his needs.

The components of a remote terminal system are discussed in the first, and longest, section of the booklet. It includes descriptions and definitions of equipment and services involved in time sharing.

A method of selecting appropriate equipment to do a specific job is presented in the second section.

A short final section is about the security of terminal systems and how to protect them from theft, fraud, sabotage, malfunctions, human errors, and effects of Nature.

MAGAZINES

A Scoring Methodology for Assessing the Suitability of Management Science Models by WILLIAM E. SOUDER, *Management Science*, June, 1972.

A study, based partly on a doctoral dissertation, develops a suitability index for evaluating project selection models. By a series of personal and telephone interviews with R & D administrators and management scientists, five major criteria, together with a list of characteristics pertaining to each, are combined to form an overall rating system. The reliability and the validity of the rating system are diagnosed in an application to 26 R & D selection models.

In obtaining a list of potentially suitable criteria and criterion characteristics, 52 subjects were interviewed for this purpose. Twenty-six were R & D administrators selected from large firms in the chemical, electronics, pharmaceutical, and aerospace industries, and 26 were practicing management scientists. Then, by re-interviewing the above respondents, the list was narrowed to five suitabilty criteria, each with its own small list of (suitabilty) characteristics. The five criteria are: realism, flexibility, capability, ease of use, and cost.

Scoring method

With the five criteria and their characteristics, the following procedure is used to construct the scoring index. First, the raw scores are developed. A '1' and a '0' are assigned to the respective presence or absence of a criterion characteristic in a particular model being examined. The '1's and '0's are added for each criterion and expressed as a fraction of the criterion's total possible score. These are called relative scores. To construct the overall suitability index, a set of weights is established. In terms of importance realism is weighted four units; flexibility, three units; capability, two units; use, two units; and cost, one unit. The suitability score of a model is the weighted sum of the relative scores. The weights are average rankings based on data provided by the interviews.

As the suitability measures may not be completely accurate, the possibility of random error is accounted for by using confidence intervals. The intervals are arbitrarily chosen as ± 1 for the relative scores of each criterion and then weighted in the same manner as described in the construction of the suitability score errors: for any one model to be significantly more suitable than another, its score must exceed the others by at least twice the magnitude of its score error. This is somewhat analogous to a statistical test of significance at the 95 per cent level.

By this method a model can be assessed as significantly more suitable than another. Furthermore, models can be evaluated in terms of their five component criteria.

When applied to 26 R & D project selection models, the index failed to detect any significant differences in four linear models selected. Five nonlinear models were tested and only two were indicated as different. The methodology could neither discriminate between any of the zero-one models nor any of the scoring-type models. One out of nine selected profitability models was found to differ in the test. Notwithstanding the poor performance of the index on an aggregate basis, comparisons of individual criteria highlighted a number of dissimilarities. For instance, it is shown that the linear, non-linear, and zero-one type models have the highest realism, flexibility, and capability, whereas the profitability and the scoring index variants have the superior use and cost performance scores.

Choosing best model

Choosing the most suitable model is a problem that is not only faced by R & D administrators. The ranking of alternative frameworks for resource allocation decisions is one that concerns accountants too. For example, a number of capital expenditure proposals might be evaluated according to payback, average annual return, rate of return, net present value, and risk adjusted return on investment. Some persons would seek to ascertain which project was the best performer across a broad range of investment selection methods: the methodology outlined in this study, however, attempts to reduce the number of selection models, thereby enabling the decision maker to discard those considered as unsuitable and to focus his attention on one or a few that have been indicated as significantly more suitable than others.

Two types of objections may be raised to the scoring methodology:

one relating to its external validity, the other to the authenticity of its theoretical assertions.

Within the R & D area future application would appear doubtful for a pragmatic reason. For firms to develop their own sets of criteria and associated characteristics the costs would be high: the weights would differ according to major classes of R & D, firm adaptation over time, and the changing availability of funds. Continuous update and revision would therefore be necessary. If the methodology is extended into other areas, there would be similar impracticalities. Without tangible evidence that the benefits of (say) rejecting a significantly unsuitable selection model outweigh the costs anticipated, and, that the net benefit to be gained is greater than that associated with the *ad hoc* methods presently used, the value of the methodology must remain unsubstantiated.

Irrespective of the costs and benefits, the question is whether or not the measure is internally sound. The author's application to 26 models cannot be regarded as validating or invalidating the index. Even though the results illustrate very little discrimination between the models this can be interpreted positively as meaning that the models were similar, or negatively in that the models were very different and the index failed to recognize this. The only criterion used was that the models represent a cross-section of model types.

The application of the importance-weights highlights another limitation of a measurement-theoretic kind. In the research, the R&D respondents were required to rank order the five criteria from most important to least important using a 1-5 scale. But by the placing of numbers on these criteria rankings, an arbitrary measurement unit is implied. An ordering makes no assertions about the intensity of the measure—common sense dictates that one cannot maintain that 65°F is twice as hot as 32°F (freezing point).

Despite the failure of the author to successfully validate the index as a meaningful study of the suitability of a management science model, the study is of interest.

PAUL A. GRIFFIN
The Ohio State University

The Case for Universal Professional Development by W. P. SPRAGUE, *The CPA Journal*, September, 1973.

Mr. Sprague gives argument to the position of requiring continuing education of practitioners in order to renew their licenses to practice public accounting.

The article first considers the fact that many CPAs are alarmed at the thought of anyone requiring them to continue their education or lose their CPA certificates. The real effect of requiring continuing education would be upon the practitioners; the practitioner would participate in continuing education or his license would not be renewed. Consideration of the objections to continuing education indicates that the key issue is whether universal professional development is unreasonably burdensome.

Since most sources favor 40 hours of continuing education to be an acceptable goal, the question of "unreasonably burdensome" must be centered upon factors other than time. Mr. Sprague offers several avenues of approach around problems of cost, convenience, and availability. These avenues include more AICPA and state society programs, closed circuit television, and home study courses.

Education

Mr. Sprague suggests the implementation of a required continuing education program should include a complete freedom of choice as to the subject matter except for the requirement of a single course of study in current matters significant to all aspects of public practice. The article lists several possible sources of education, indicating that all practitioners, whether from a large firm or a small firm, could reach the required level of education.

Enactment of substantial penalties for non-compliance and the random inspection of individual records could help solve the problem of enforcing continuing education requirements. Mr. Sprague also suggests use of license renewal forms which would require listing of courses taken during the year.

Application of continuing education requirements should be modest at first. Greater requirements may be implemented after initial acceptance by the profession. Mr. Sprague suggests several things the state societies could do to help implement any continuing education requirement. These actions include:

1. Expansion of course material to cover a broader range of professional development.
2. Differentiation of course material to fit various levels of experience.
3. Translation of course material

into workbook and cassette form.

4. Refinement of administrative procedures to include documentation of attendance and recording of quiz grades.

5. Dissemination of the programs through the available educational facilities.

Misconceptions

The article considers three misconceptions. One misconception is that continuing education is no guarantee of competence. Mr. Sprague concedes that the benefit derived from a course might vary from person to person; however, the purpose of requiring continuing education is not to insure a definable level of competence among the practitioners. The purpose of the requirement is to demonstrate to the public that the profession is concerned enough to attempt to maintain and improve professional competence. The second misconception concerns the effect that well-publicized court cases may have on continuing education. The author answers this claim by pointing out that faulty judgment on an engagement has little to do with continuing education. The hazards of the profession should not be confused with basic knowledge. The last misconception concerns the rejection of in-house training programs of the larger firms because of highly publicized lawsuits. Mr. Sprague counters that argument by pointing out the advantage that the firm has in a case such as the one mentioned. The firm can better evaluate the need of its staff, and it can require attendance by its staff.

The author concludes by noting the approaches taken by some of the states now requiring continuing education. Many of these states support voluntary rather than forced continuing education. The opponents to required continuing education stress that voluntary programs would involve the majority of the practitioners.

William D. Wallace
Oklahoma State University

A Typology for Participation in Organizational Decision Making by Joseph A. Alutto and James A. Belasco, *Administratve Science Quarterly,* March, 1972.

After reviewing the literature on participation in organizational decision making, it is argued that participation should be viewed as the difference between the number of decisions in which an individual actually participates and the number in which he desires to participate. A rather extensive field study was conducted in an attempt to test the usefulness of this discrepancy view. In addition to providing support for the concept, the findings indicate that some of the traditional assumptions concerning the universal desirability of increased participation in decision making should be modified.

Alutto and Belasco note that the prior literature on individual participation in organizational decision making has typically assumed a linear relationship between increased participation and such valued organizational outcomes as the willingness to adopt change, increased administrative control, and greater individual integration in the organization. Researchers and practitioners alike have suggested that by encouraging participation, the organization can increase both the likelihood that a change will be adopted as well as the overall effectiveness of the change. Others have stated that increased participation by an individual leads to greater individual job satisfaction and work achievement as well as greater individual integration into the organization. Some authors have argued that participation encourages subordinate commitment to organizational goals through involvement in the decision process, thus allowing superiors to gain both an increased certainty concerning the actions of the subordinate and an increased influence over subordinate behavior.

This view is clearly evident in the literature of accounting concerned with the control aspects of budgeting. It has been suggested that allowing the budgeted individual to participate in the goal-setting process encourages acceptance of the budget and, to some extent, insures increased performance by the budgeted individual.

In addition to the over-simplicity of the assumed relationships, Alutto and Belasco are critical of the previous adherence to an absolute measure of participation, i.e., the number of institutional decisions in which an individual participates. It is unlikely, they argue, that the desire for increased participation is equally distributed throughout the organization. To the extent that such desires are not equally distributed, the crucial variable would seem to be the discrepancy between current and desired rates of participation rather than an individual's absolute rate. One can deal effectively with decisional participation by considering a continuum of participation typified by three conditions:

(1) Decisional deprivation—actual participation in fewer than desired decisions;

(2) Decisional equilibrium—actual participation in as many decisions as desired;

(3) Decisional saturation— actual participation in more decisions than desired.

If the three participation conditions are differentially distributed throughout organizational populations, and if these conditions are related to differing organizational outcomes, then the discrepancy concept of participation has not only research and theoretical value but practical implications as well.

In an effort to test the discrepancy concept and to shed additional light upon the relationship between increased involvement in decision making and the organizational outcomes previously discussed, a field study was conducted among teachers employed by two schools in New York. Using a questionnaire survey technique, the teachers indicated their actual and desired participation concerning 12 decisional situations varying from the hiring of new faculty members to the planning of new buildings. Based upon these responses each of the 454 teachers was placed within one of the three discrepancy conditions. In addition to demographic information, data was obtained concerning six correlates of participation: (1) organizational commitment; (2) perceptions and preferences of administrative influence; (3) authoritarianism; (4) role conflict; (5) interpersonal trust; and (6) attitudes toward militancy (teacher strikes).

The authors found that organizational commitment and the personality characteristics of interpersonal trust and authoritarianism were not differentially distributed among individuals with varying decisional attributes. The most significant finding was that decisional deprivation did not lead to lower organizational commitment than equilibrium or saturation. No significant differences were evident between teachers considered decisionally saturated and those in equilibrium. However, those teachers experiencing decisional deprivation ranked school superintendents as currently more influential, desired a reduction in future administrative influences, experienced more role conflict, and were the most militant of the three groups. An analysis of the within-group variations of decisional involvement revealed that the larger the number of decisions in which participation is desired but not allowed, (a) the greater the perceived role conflict, (b) the greater the probability that the individual is a male employed in a rural secondary school, (c) the greater the attitudinal militancy, and (d) the higher the probability that the top administrative official will be perceived as relatively influential.

The study indicates that organizational typologies based on overall conditions of decisional participation are viable. Individuals experiencing high levels of deprivation do possess different characteristics than those typified by lower levels of deprivation, by equilibrium, or by saturation. No evidence was found in support of the assumption that increased participation leads to increased organizational commitment. For at least two segments of each organizational population (equilibrium and saturation) the introduction of shared decision making is not a viable administrative strategy and may prove highly dysfunctional. While further research is certainly necessary, it would appear that the notion, prevalent in accounting, that increased commitment to a budget (and thus increased performance) can be achieved by involving the budgeted individual in the goal-setting process is somewhat suspect.

W. Bruce Johnson
The Ohio State University

The Implications for Accountants of Data Base Management Systems by Ron Weber, *The Australian Accountant,* October, 1973.

Data base management systems will become an accepted facet of commercial data processing in the near future. The purpose of this article is (1) to explain the general nature of these systems and (2) to suggest some implications of these systems for the accounting profession.

In a well-organized presentation, Mr. Weber points out that data base management systems have several aims. The first and primary aim is to reduce the duplication of data that is stored in company files. This duplication occurs frequently in traditional computer systems, and it leads to several inefficiencies in data processing. These inefficiencies are as follows: (1) more file storage space is required, (2) data are sometimes updated in one file but not in another, and (3) decision makers must search in many different files to satisfy their informational requirements. Data base management systems attempt to overcome these inefficiencies by using special file structures for data storage. These structures are designed so that the data appearing on a particular record is stored in only one place. Then, this data is systematically linked with other data to form many different files.

The second aim of data base management systems is to alleviate many of the problems associated with system development and modification. This goal is achieved by utilizing computer programs which can be quickly written and easily modified. Many subroutines are standard, and they are usually written by the computer manufacturer. As a result, there is less need for system users to write highly-detailed computer programs.

As one would naturally expect, there are some problems associated with data base management systems. One problem is that a failure in the system can be disastrous. Because of the linking network, data violations affect every file to which the data is connected. This problem is most acute to those system users who have fast retrieval requirements. Because of this problem, managers should implement appropriate recovery measures designed to reduce the impact of a system failure. These measures include dual copies of files, file moves, file dumps, and copies of journals that contain all changes in the data base.

A second problem of data base management systems is their susceptibility to violations of data secrecy. Because of this susceptibility, it is important to implement appropriate security measures such as passwords, logging-in procedures, and so forth.

Implications for accountants

The implementation of data base management systems has several implications for accountants. First, these systems facilitate the managerial accountant's work by enhancing the accuracy and reliability of the information that he uses.

In addition, since data can be updated at tremendous speeds, these systems have a positive effect on information timeliness. Indeed, the probability of satisfying *ad hoc* information requests is greatly increased by these systems.

The financial accountant can also profit from the implementation of data base management systems. The tremendous speed and data structuring capacities of these systems greatly facilitate the auditor's work. Moreover, these systems decrease the risk of program manipulations since many of the subroutines are written by the computer manufacturer.

Mr. Weber concludes by pointing out that accountants are entering a period of rapid change. During the period, data base management systems will become an accepted facet of commercial data processing. These systems have definite implications for the accounting profession. As a result, it is imperative that accountants become actively interested in the development of these systems.

KEITH G. STANGA
Louisiana State University at Baton Rouge

Analysis of Current Marketing Cost Methods by L. GAYLE RAYBURN, *The CPA Journal*, November, 1973.

Despite the fact that determining marketing costs is more difficult than determining production costs, efforts should be made by both marketing and accounting people to develop meaningful controls and establish accountability of marketing costs.

This article relates the various marketing cost methods currently being used by businesses. For instance, the full costing method is most generally used; although the contribution margin approach is also in evidence. Dr. Rayburn contends that the goal of marketing management should be segmental contribution; however, in the contribution margin approaches being used, the starting point has usually been gross profit. As a result, all production costs are presumed variable with production. Since fixed production costs are in effect allocated, the segmental contribution continues to reflect some common costs.

Dr. Rayburn interviewed controllers of organizations in the South with 100 employees or more. All companies interviewed employed standards and/or budgets to reflect management's financial goals. Those marketing costs which are repetitive are subjected to the same methods of cost control as production costs. However, the standards employed for cost control are less exact than those used in production.

Nonrepetitive marketing costs, such as advertising and sales promotion, are primarily controlled through the use of budgets. Standard costs for advertising and sales promotion are not based on units which measure effort expended, but rather on units which measure results obtained. None of the companies interviewed had conducted time and motion studies of nonrepetitive marketing activities, which would identify how these employees spend their time in order to develop appropriate unit standards.

Marketing cost allocations are generally made on the basis of sales price, despite the fact that a direct relationship between orders and costs cannot be established. Marketing management often dislikes such allocations, because profit potential is not revealed.

Marketing controls neglected

Distribution cost variance analysis is virtually non-existent among the companies interviewed. Net variances may be indicated, but a breakdown into causal factors is not attempted. A substitute often followed is a comparison of current and prior period distribution costs. Such comparisons will help to identify a problem area, but fail to indicate the adjustment required.

One company indicated the use of industry statistics as a means of cost control. However, difficulties arise because of a lack of uniformity in both the methods of distribution and in the methods of charging items to distribution costs.

Generally, the survey reveals that while marketing costs are relatively large in many businesses, they have not received the attention they deserve if worthwhile control and accountability is desired. Marketing activities have changed. Today they often must create and discover demands for new products rather than merely sell what is produced. Marketing management is becoming an integral part of every phase of the production-distribution cycle. Economic factors also affect marketing costs. As more products are produced, more effort is expended to find additional customers and open new territories. All of these factors result in increased marketing costs and meaningful controls become more desirable.

Several reasons are presented for the slow application of accounting methods to marketing costs. First, the marketing environment is much more complex than that in the production area. For instance, the time period lag between cause and effect, the lack of standardization in marketing operations, and the vastly different channels of distribution available are cited as reasons for lack of cost control. Second, often quantitative factors are not available to measure the results of performance. The human element is more pronounced in marketing areas than in the production activity. Third, there has been a lack of communication between what analysis is needed versus what data are available. The accountant simply has not familiarized himself with the marketing functions to the same extent as the production function.

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