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## People, Events, Techniques

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# people, events, techniques

## Data Technologists Often Too Effective for Management Comfort, AMA Speaker Says; Manager Can No Longer Hide or Disguise Mistake

Systems technologists, in their efforts to help management by improving company information systems, are doing such a good job that they're creating management trouble.

At least that's what Milton Stone, director of management information, Northrup Corporation, warned the American Management Association's annual data processing conference in New York recently.

"In an intensely personal way, the manager is concerned about the specificity of the performance measurement system," Mr. Stone declared. "He knows that the nature and training of the information technologist will incline him to-

ward quantification and consistency in the measuring of performance. Performance measurement based on a loosely specified and loosely produced set of figures is definitely more acceptable to the individual manager, especially if he is the one who will be doing the manipulating of results.

"In the same intensely personal way, the manager is concerned about the security of information about his activity," Mr. Stone continued. "The general manager who objected to the development (by persons not under his management) of information from his raw data inputs put it the following way: 'I am philosophically opposed to an

unmonitored line of communication within my organization.' Translated into clear and precise English, he asks, 'Who needs to know?' and spotlights an extremely critical problem in the relationship between the various levels of management. This is the determination of the proper balance between overcontrol and undercontrol. Operating management resents interference. Higher levels of management cannot interfere if they do not have enough information to warrant interference. But neither can they exercise control.

"Bad news travels fast except in the world of business. There, bad news travels slowly for a variety of

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reasons mostly having to do with the desire of the subordinate not to stir up the superior. The information technologist is certainly not in tune with the subordinate manager in this instance.”

The basic problem is compounded, according to Mr. Stone, by the fact that the nature of the management job is rarely defined until after the development of the information system.

Information technologists are not blameless in the antagonisms that arise, the speaker said. Many of them are “inarticulate, immature, uninformed, unrestrained, and, of all things, arrogant.”

Specifically, he would fault many technical people on these grounds:

1. Too many have an inadequate understanding of the business end of the business.

2. Often, if allowed to pursue either the expedient solution or a perfect solution, the technologist will attempt to gain the perfect solution.

3. There is too little understanding of the way in which a manager evaluates his work and of what commands a manager’s attention.

4. The technologist, “like a well trained department store clerk,” is unable to resist the “tie-in sale,” the chance to find a by-product solution to a tangential problem.

Mr. Stone said there are several possible solutions to the problems caused by rivalry between technologists and managers. They include:

1. A clear delineation by the chief executive officer of who is to be responsible for decisions, what ground rules for decisions are to be, and who will exercise the necessary controls. All this should be spelled out quite clearly before the application of information technology.

2. An unqualified recognition and acceptance by top management of the fact that application of information technology is bound to influence the nature of the organizational alignment. A necessary corollary of this is that the nature of the new management jobs must be researched and established con-

ceptually before the specifics of the information technology are applied.

3. The technologist must always remember that, ideally, he should be a hybrid. He is working to develop an information product which may be oral, written, computed, or graphic in nature and which contains facts manipulated according to many techniques. He can only produce successfully if he commands the highest professional skills. But he must also learn the nature of the business in which he works, as well as the nature of the managerial group and the individual managers in it.

### **AMA releases EDP survey**

At the same conference, the American Management Association released a survey, “Managing with EDP,” resulting from a year’s study of the data processing procedures in use in 288 representative companies. The results of the survey differed considerably from the conclusions reached in an earlier McKinsey & Co., Inc., survey, which reported that many companies found they had not recovered the cost of computer investments for years after installation.

In contrast, the AMA survey shows that 253 of the participating companies reported successful use of computers. Fifty-one qualified this by saying that success was not complete, and 21 reported poor experiences with computers.

The majority of companies which have reduced costs by their computer installations attributed savings to greater clerical efficiency, employee reduction, and higher productivity. These were very much the same results found in a far more limited government survey just released. (See news story, p. 11, this issue.)

The AMA survey report, which noted that EDP had already begun to have an effect on the overall structure of the organizations employing it, went on to say:

“To generalize: Companies unsuccessful with EDP are those

which consider the computer a piece of office equipment, which state their EDP objectives as ‘a conversion of EAM’ (electrical accounting machines), which think of their EDP as an extension of accounting, which submerge it in the lower levels of the organization, which have a limited number of applications by which only historical information is processed. To this statement can be added that these companies do not know when, if ever, they will obtain a return on their computer investment; they do not bother evaluating the effectiveness of their computers or studying the information needs of their company; and they avoid top management involvement in EDP. Executives in these companies devote more time to examining how they are doing things today than to how they should be doing them in the future – and, above all, they never look at the overall needs of the company.”

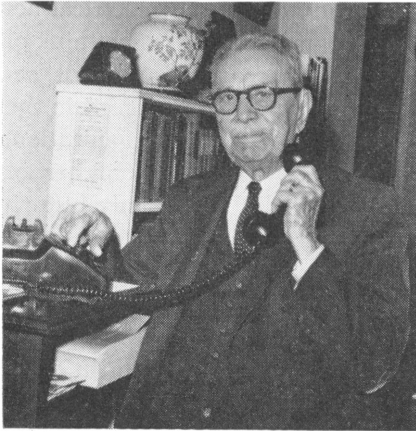
The survey also found that, although some companies have relocated their EDP departments within some other company function or have created a new service department reporting directly to the president or executive vice president, in three-quarters of the companies surveyed EDP remains the responsibility of a financial executive.

### **C-E-I-R Offers Free Booklet Describing Input-output Tables**

C-E-I-R, Inc., has published a 24-page booklet describing how businesses can make practical use of the new economic “input-output” tables prepared recently by the U. S. Department of Commerce. (See news story, M/S, January-February ’65, p. 9.)

Copies of the booklet entitled “What If?” may be obtained free from C-E-I-R Corporate Public Relations, 1200 Jefferson Davis Highway, Arlington, Virginia 22202.

## Insurance Company Installs "Instant Information" Network



### Midwestern Insurance Companies Announce New Computer Plans

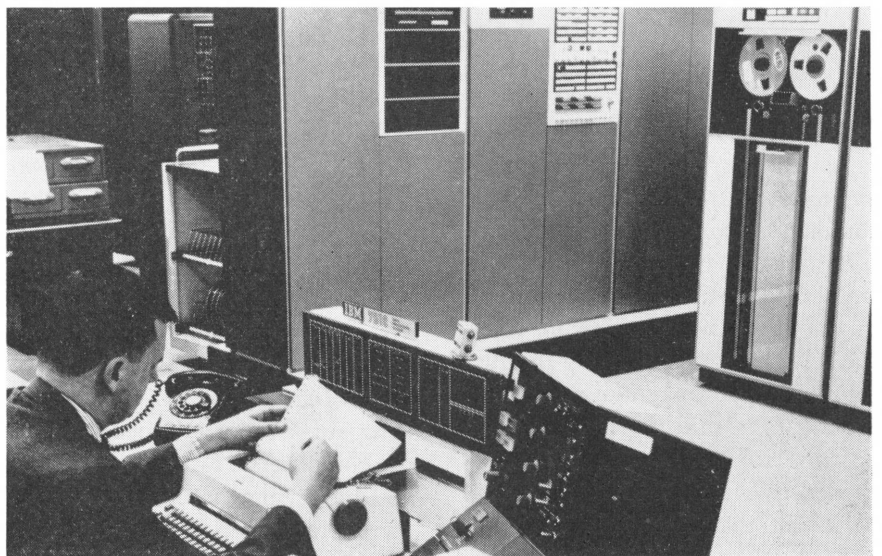
Three Lincoln, Nebraska, fire and casualty insurance companies have jointly formed a data processing center to handle all their bookkeeping and statistical reporting. The data processing will be handled by an IBM System/360, to be installed next year.

The System/360, which will also help the firms keep more accurate and timely policyholder records, will be connected directly to remote terminals in the offices of the participating companies.

The insurance companies sponsoring the project are Capital Mutual Insurance Company, Farm Bureau Insurance Company of Nebraska, and Standard Reliance Insurance Company.

#### "Real time" system installed

Another Midwestern insurance company, Continental Casualty Co. of Chicago, is installing an "instant information" network that permits policyholder inquiries to be answered within a few seconds from information stored in central data storage files. There are now four remote terminals in Continental's Chicago office tied in to the central computer, and eventually all field offices will be linked to the



Entire sequence of Continental's "information" plan is demonstrated: Methodist Bishop Herbert Welch 'phones for information about his policy (upper left); operator at terminal station in company keys in question (top); message is sped to message control center (bottom), which finds the answers and returns them to operator, who then relays all information to querying policyholder.

central data processor by telephone lines. The new system is thus somewhat similar in concept to the network announced by Metropolitan Life last year. (See news story, M/S, November-December, 1964, p.5.)

The Continental system will be used originally to handle policy information only on "Golden 65" policies, but eventually the com-

pany expects to extend the network to cover other Continental insurance policies.

The company is also working on plans to install an IBM 7770 audio response unit which can answer inquiries in the form of spoken words. The device, equipped with its own specialized vocabulary, will provide actual vocal answers directly to callers.

## AICPA Opens "Crash Program of Computer Orientation, Training"

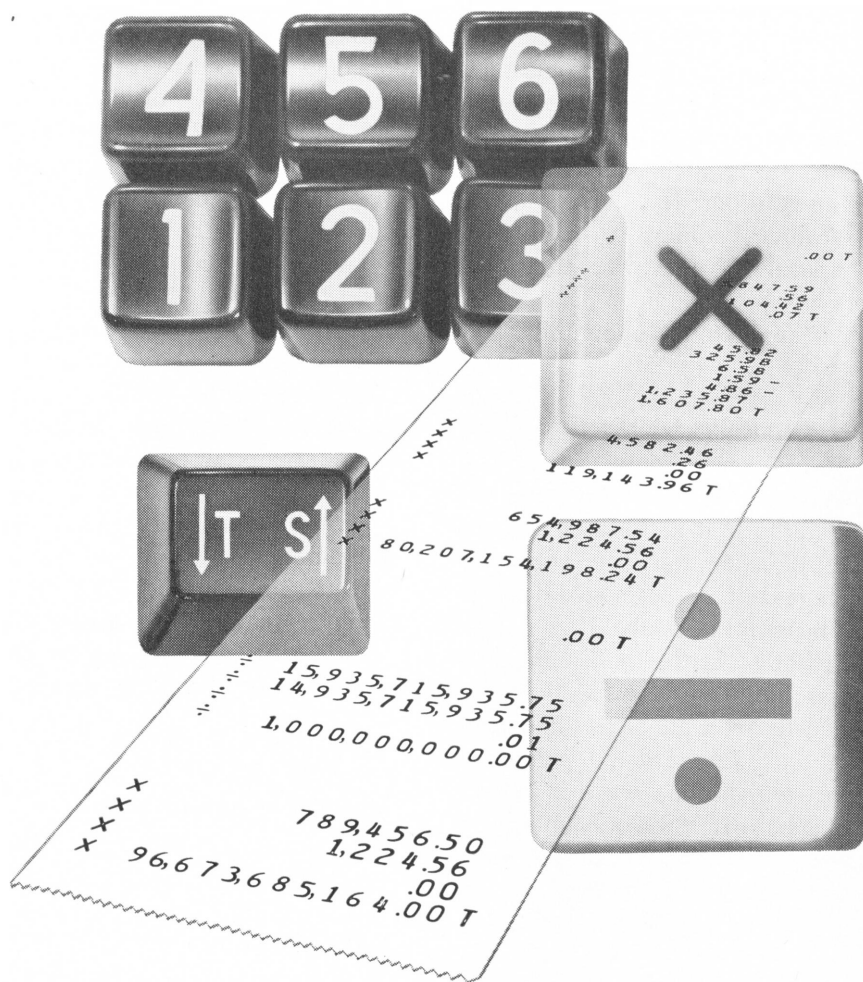
The impact of computers on the business scene will be the main theme of the technical sessions at this fall's annual meeting of the American Institute of CPAs, to be held in Dallas in September.

The program, which represents a change from the original meeting schedule, is part of the Institute's new plan to do everything possible to alert and educate CPAs to the potentials and dangers of automation. Besides the three half-day sessions scheduled for the annual meeting, the Institute is preparing an audit guide and a professional development course on auditing computer-kept accounts and is planning a book dealing with computers and their implications. In addition, the president of the Institute will send every member a letter dealing with computers. This letter will probably include a list of places offering instruction on computers, a bibliography of selected reading, and recommendations on specific steps a practitioner can take to prepare himself for the transition to computers. These specific recommendations will be based on the experience of a number of CPAs who have already installed computers or who have had extensive experience with them.

### Long-range plans

All of these plans are part of the short-range phase of the computer program and are designed to be accomplished this year. In addition, a long-range program of continuing education is being planned. This will probably include:

1. Continuing research into the capabilities of computers, with specific attention to their implications for management services, auditing, and tax work
2. Annual computer conferences and/or symposia after the 1965 annual meeting




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3. Expansion of the number of professional development courses dealing with computers and automation

4. A film on computers and their implications for accountants

As part of this long-range program, the following ideas are also being considered:

Technical studies

A study of data processing centers

An annotated bibliography.

### ***FEL also plans study***

The Research Foundation of The Financial Executives Institute has also authorized a study of the impact of computers on corporate management and organization, as the basis for a book.

Arthur D. Little, the Cambridge, Massachusetts, research firm retained to make the study and prepare the book, said the published report will outline ways in which managers can take advantage of opportunities afforded by the new, computer-based technology.

## **Harvard, Columbia, Yale Plan New Data Retrieval System**

A comprehensive information retrieval system will link the medical libraries of Harvard, Columbia, and Yale Universities by telephone lines in the near future. Subject indexes will be stored in the memories of computers.

The three-university hookup will make the information contained in 1,025,000 items available to anyone at any of the medical schools.

The project is the first step toward an eventual pooling of catalog information for all the medical libraries in the country. Five other libraries have already been invited to join the Eastern system.

Basically, the system will work like this:

A student may wish all the ma-

terial that is contained in all of the libraries on the effects of a common tranquilizing drug on persons suffering from a specific mental illness. He would first refer to the National Library of Medicine's Medical Subject Headings for the index numbers for the particular drug and particular illness. Then he would type the numbers on a keyboard plugged into the electronic network.

The computer complex has stored in its memory the titles of all material in the three libraries on the disease in which he is interested and all material on the drug in which he is interested. With these two criteria typed in by the scholar—the numbers for drug and disease—it can print out the titles of all reference material that discusses both the drug and the disease and the university at which each item can be found.

### ***Time and space advantages***

And it can do all this in a few seconds, whereas, with a conventional card file index, the search could take hours.

The computer offers another major advantage over the conventional card file. Card files take up space. For instance, in the Yale medical library, which has 350,000 items, space limitations limit card storage to 561,000 cards—less than two subject cards per title. With the computer, on the other hand, Yale already has stored up to 10.4 subject headings per title. The more detailed the cross indexing possible, the more precise the search can be. This in turn means that the scholar, if he has phrased his inquiry in narrow enough terms, gets exactly the titles he wants, discussing exactly those particular phases of the subject in which he is interested.

As the system first goes into operation, only titles will be supplied, so that the student at Yale who finds from the computer printout of titles that one book he needs is available only at Columbia or Harvard will have to arrange to obtain the reference from that university.

Eventually, however, telecommunication and photographic reproducing devices will be incorporated in the network. Then, pages from a book or magazine article in Boston could be flashed on a screen in New York or New Haven, for reading or reproduction.

The development of the system is being aided by a grant from the National Science Foundation. It has been pointed out that the same pooling of all available information in several different centers is possible for law and business groups. Even general libraries could be linked by such a system.

## **Federal Productivity Can Be Measured, Budget Bureau Finds**

The majority of Federal agencies can measure their productivity, according to the findings of a two-year research study just concluded by the Bureau of the Budget.

Five Governmental units participated in the study, sharing their technicians with a staff of specialists from the Bureau of the Budget to produce productivity information for periods ranging from five to fifteen years.

The study, conducted as an experimental project, had three main objectives:

1. To identify the type of Government organization in which productivity measurement might be feasible

2. To find the most practical way of measuring the productivity of such units

3. To find ways in which productivity measures could be usefully employed

The study group concluded that productivity measurement is practicable wherever output, in terms of units of service, can be defined and counted and that such information is valuable as an indicator of the organization's general efficiency as compared with its own performance in past years or with

other similar organizations. Business enterprises have a rough gauge of their efficiency in terms of their financial statements, the report noted, but Government executives have no such automatic feedback mechanism.

The Post Office Department, and four other organizations within departments or agencies, were studied during the two-year period. They were:

1. The Treasury Department's Division of Disbursement
2. The Veterans Administration's Department of Insurance
3. The Federal Aviation Agency's Systems Maintenance Service (This service maintains the electronic and other navigational and control devices on U.S. airways.)
4. The Department of the Interior's Bureau of Land Management. (This Bureau manages Federal land resources.)

Of the five units, only the work of the Bureau of Land Measurement proved impossible to measure

accurately enough for meaningful productivity studies.

The other four agencies showed general increases in productivity in the past few years, particularly the Division of Disbursement of the Treasury and the Insurance Department of the Veterans Administration. Both of these operations were characterized by uniform output, a small number of installations, and very sophisticated mechanical and electronic equipment.

**All Federal agencies affected**

The Director of the Bureau of the Budget has asked all agencies of the Federal Government to study the report to determine if the techniques outlined can be adapted to their individual requirements.

He has also asked that productivity measurements be used as much as possible when preparing budget submissions for agencies or departments of the Government.

**Government Finds Cost Of Automation Does Not Deter Even Small Firms**

The heavy expense of automation does not necessarily hinder fairly small firms from investing in it, a recently published Government monograph, "Management Decisions to Automate," reports.

The reason: Probable savings due to automation tend to be larger in proportion to total operating costs in a small firm than they do in a large one. Moreover, the "complex management structure and fiscal controls" built into many large concerns tend to slow the pace of automation.

The monograph, based on detailed case studies of two banks, two electronics manufacturing firms, and four warehouses, three of which had installed automatic order-picking and conveyor systems, said that immediate cost reduction was a major objective in almost all

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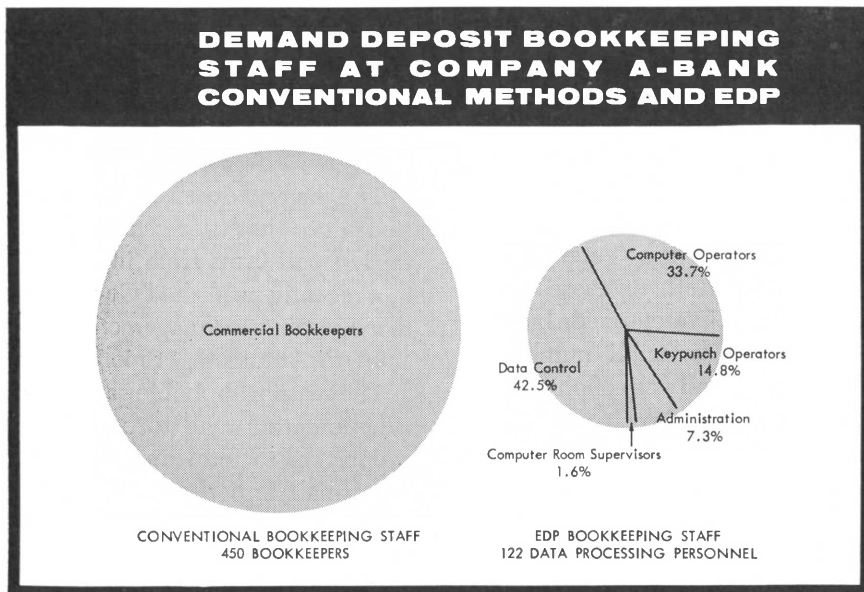
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An example of the personnel savings achieved in one of the banks surveyed by the Government is shown in this chart illustrating drop in bookkeeping staff.

decisions to automate. Prime source of reduced costs was increased productivity or personnel reduction. Secondary but important in cost reduction: a tendency to produce less scrap and fewer rejects and damaged goods, to require less reworking, less in-process inventory, and less plant space under automated operations. One bank found that centralized data processing allowed it to operate with smaller branch offices and cut building costs by 15 per cent.

The companies surveyed also found that automation increased their fixed costs relative to their variable costs. In the period covered by the survey, this has been an advantage. The report points out, however, that this change in ratio could be a disadvantage if severe cuts in production were required.

In most cases, installation costs and some operating costs were slightly higher than anticipated. The banks and the warehouse companies also reported far more technical problems than they had anticipated.

The banks were especially interested in electronic data processing because it offered the possibility of reducing costs while handling an ever-growing volume of paperwork. The electronics companies installed

numerical control systems for machine tools because they permitted major cost reduction, produced goods of consistently high quality, and eased problems of engineering changes. The warehouses anticipated more accurate order filling, lower costs, and easier management control through automatic order filling systems. Generally, each of the three forms of automation achieved the desired results.

### Diebold Research: OR Is Still Not Gaining Full Management Acceptance

Operations research is not gaining management acceptance at the rate it merits, according to a report of the Diebold Research Program.

Management itself is at fault, the research group says. It has found most business managements are:

Unclear about which problems should be solved

Not making sophisticated use of many OR techniques which have been proved

Not making enough effort to define a means of measuring OR results

Most widespread application of OR, according to a survey of spon-

sors of the program, has been on the well defined problems of production and inventory control. These areas have absorbed 47 per cent of total nongovernmental OR work.

The research group also found that industries which are strongly affected by technological changes are making the greatest use of OR.

Major new OR efforts during the next five years will be made in planning, marketing, and financial operations, the Diebold group predicted. In the next ten years, the problem areas in which the newest applications can be expected are:

1. Manufacturing and facilities, with special emphasis on plant location, manufacturing decisions, process and production control, and labor force composition

2. Distribution problems, with most attention concentrated on freight and delivery control, routing, and retail outlet locations

3. Marketing, with greatest stress on sales force scheduling, marketing effectiveness, marketing research, advertising effectiveness, new product introduction, and pricing studies

4. Financial planning: Areas in which OR is expected to make significant breakthroughs include investment decisions, capital allocation, capital replacement, tax planning, and capital budgeting.

Modern developments in electronic data processing, such as mass memories and higher-speed processors, are certain to increase the scope and ability of OR specialists, the Diebold group reported.

The Diebold Research Program is a cooperative effort conducted by The Diebold Group, an association of specialized management services companies, on behalf of a number of major U.S. and European businesses. (See news story, M/S, March-April, 1964, p. 7). Sponsoring companies include DuPont, Univac, Xerox, Standard Oil of California, Equitable Life, Firestone, Southern Pacific Railroad, Pillsbury, Minnesota Mining and Manufacturing, and Douglas Aircraft in this country.



## “Do-It-Yourself” Service Centers Opened in Eight Cities Across Nation

Do it yourself computer service on an hourly rental basis is being offered by Statistical Tabulating Corporation in Chicago, New York, Cleveland, St. Louis, Kansas City, Dallas, Los Angeles, and San Francisco.

Called Data-Mat in an analogy with laundromat, the new service is designed to bridge the gap between a so-called in-house computer installation and the use of a service bureau. In conventional service bureaus, bureau personnel do most of the data preparation and processing, but with Data-Mat the customer's personnel do all this themselves. Thus, they need pay only for computer time.

In preparation of a company payroll, for example, Data-Mat would be used this way: The user prepares the employee time reports on punched cards. He takes the cards, reels of magnetic tape containing payroll deduction data, and blank checks to Data-Mat. He is assigned a private office in which to prepare his materials for computer processing. When his scheduled time comes up, he operates the computer himself. After less than 40 minutes of running time (on Data-Mat's largest computer, a Honeywell H-200), he has his pay records updated, checks printed, new tape reels prepared, and new payroll cards for the next period punched — for \$57.

### Open seven days a week

The center is open around the clock, seven days a week. Attendants are available to assist customers. Prices (which include free parking) vary with the type and amount of equipment used. They start at \$20 an hour. Scheduled time is sold on a guaranteed basis, and customers may contract for as little as three hours a month.

Prime prospects for the service, according to Data-Mat, are small

employees to get first-hand computer experience to prepare them for their own first computers and present users of computers who want to handle overflow work on an as needed basis. Several of Chicago's largest computer users, including Illinois Bell Telephone Company, Morton Salt Company, and Standard Brands, Inc., have already signed up.

## Long-term Sickness Three Times as Likely as Death For 30-50 Year Age Group

The chances of long-term disabling illness are three times as great as the chances of death for those in the 30-to-50 age group. For this reason, the National Industrial Conference Board reports, more and more companies are installing long-term insurance programs for key employees who become disabled.

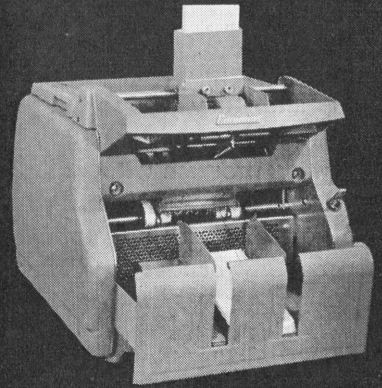
NICB surveyed more than 1,000 companies in a cross section of industries. More than one-fourth of them now have such plans. Of the 103 plans NICB studied in detail, more than half were established in the last two years.

Most of the plans are open only to salaried employees, many only to key members of this group. The groups covered range in size from 18 persons to more than 54,000.

A majority of the plans provide coverage of 50 to 60 per cent of a month's pay, up to a maximum of about \$1,000. Benefits usually continue until the age of 65. More than three-fourths of the plans are contributory.

Only a few plans still define disability as “inability to engage in any occupation for gain or profit.” Now the definition is likely to vary over the life of the plan. During the first two years in which benefits are paid disability is usually defined as “inability to perform any and every duty pertaining to the job held on the date the disability was incurred.” After two years the defini-

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tion is tightened to "the complete inability to engage in any occupation for which the covered person is reasonably suited by experience, education, or training."

The newer plans also have two other improvements: They make allowance for the employee who is able to return to work after a long illness, and they allow the employee to take a job as part of a rehabilitation program without losing his benefits. Income earned from these jobs is usually subtracted from monthly benefit payments.

## Corporate Planning Staffs Small, Mostly Staffed by Engineers, Survey Finds

Corporate planning as a formal activity performed by a special staff is comparatively new in industry. To find out how these groups operate, Dr. Melville C. Branch, lecturer in engineering (planning) at the University of California, Los Angeles, surveyed a sample of 35 multi-million-dollar companies. In *California Management Review* he presents a profile of corporate planning departments.

These staffs are small (most often with fewer than half a dozen people) and highly placed (nearly all report to the president or board chairman). They devote the largest part of their time to overall corporate planning, but many units spend as much or more time on various functional plans — sales, administration, finance. They spend more of their working days on staff contact, meetings, and supervision than on analysis.

The heads of the planning departments are somewhat younger (43, on the average) than other executives of comparable position and salary (a mean of about \$22,500 a year). All but three came from other departments, usually from staff jobs. A majority had their undergraduate training in engineering; oddly enough, only one majored in finance and none in accounting.

: People, Events, Techniques

## Two Free Booklets on ADP Are Available From DPMA, Honeywell

Two new free booklets on automatic data processing are available. The "ABC's of ADP," published by the Data Processing Management Association, 524 Busse Highway, Park Ridge, Illinois, is designed as an introduction to automatic data processing for students and business managers. The 25-page booklet, a single copy of which will be sent to anyone applying to the DPMA, covers unit record and computer principles, business and scientific data processing, hardware and software, data processing personnel requirements, and some of the problems facing ADP management. Authors are James A. Campise of Computer Sciences Corporation and Max L. Wagoner of the Bendix Corporation.

Honeywell Electronic Data Processing Division has issued a programmed instruction textbook on computer numbering systems, intended to provide self-instruction on binary arithmetic as well as on basic concepts of computer numbering systems for persons unfamiliar with computers. Copies may be obtained from Information Services Division, Honeywell EDP, 60 Walnut Street, Wellesley Hills, Massachusetts 02181.

## Management Consultants Report Four-category Increase in Time Billed

A survey of 30 management consulting firms, ranging in staff size from 10 to 250 men, covering their distribution of client billings for the years 1960-64, has just been issued by the Association of Consulting Management Engineers.

According to the study, there has been a significant increase in the amount of time billed for work in the areas of general management, data processing and information

systems, and distribution and transportation in the four-year period.

Executive recruiting activities also showed a steady increase over the four-year period.

Largest percentage of total billings in 1963 and 1964 was derived from work in the general management area, with personnel, production, marketing, and distribution and transportation following in that order.

Specific services mentioned three or more times within these functional areas were:

*General management:* Organization planning, mergers and acquisitions, executive compensation, and management planning — controls and reports

*Personnel:* Manpower appraisal programs, training programs and seminars, and executive search

*Production:* Work measurement, industrial engineering, and plant layout

*Marketing:* Marketing strategy and long-range planning and market research

*Distribution and transportation:* Inventory control systems, transportation studies, and warehousing.

## Federal Government Plans To Spend Billion on Computers This Year

The Federal Government will spend over one billion dollars on automated data processing equipment this year for the first time.

Estimated costs for such equipment will be \$1.1 billion, an increase of \$321 million over 1963 costs.

The increasing size of machine expenditures lends added importance to the Government's recent emphasis on buying computers outright rather than renting them.

Over half the costs during 1965 will be incurred by the Defense Department, which estimates it will need about \$739 million. Next largest user of electronic data processing equipment will be the Atomic Energy Commission.