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People, Events, Techniques

American Institute of Certified Public Accountants

people, events, techniques

U. S. Devalues Dollar by 10 Per Cent in Effort to Reverse Unfavorable Trade Balance, Following Week of Financial Turmoil

The 10 per cent devaluation of the U. S. dollar, announced by Secretary of the Treasury George P. Schultz at a late evening news conference on February 12, climaxed a week of increasingly critical pressure on the dollar, exchange closings in most major European and Japanese money markets, and the purchase of billions in American currency by foreign exchanges in an effort to keep the U. S. dollar at the level to which it was lowered at the Smithsonian Agreement in December, 1971.

It also climaxed a month of significant financial announcements, two of which played an important role in the February collapse of the dollar. In early January, the Administration lifted mandatory wage and price controls on all phases of the economy except processed food, health care, interest and dividends, and the construction industry. Subsequently it was announced that the United States had suffered its worst balance of payments deficit in history during 1972, importing nearly $7 billion more than it exported.

The $7 billion surplus of American dollars abroad drove down the dollar's value in terms of foreign currencies; foreign speculators' fears that the United States, without strict controls, was in for another round of inflation that would cause the dollar to lose even more in value (which it has, of course, since the February 12 announcement) apparently caused them to turn in their dollars for more stable currencies. Germany alone had to redeem $3.5 billion in two days during the week of February 4 - 10.

The main distinction between devaluation and domestic inflation is that while the dollar, under devaluation, is cheaper in terms of foreign currencies, no effect whatever should be anticipated in the domestic market except for those trading segments dealing in foreign goods or in products incorporating foreign components. Prices of such goods will have to rise in the United States since the dollars sent abroad for their purchase will buy a lesser quantity of yens' or marks' or francs' worth of the products or ingredients needed.

Thus, theoretically, while each U.S. dollar sent abroad will be cheaper that it was before devaluation and so will buy less foreign merchandise, prices of U.S. goods should drop in overseas markets since the currencies used to buy will be worth more in U.S. currency.

Therefore the crux of the whole matter would seem to be control of inflation in this country: a 10 per cent devaluation of the dollar would be worse than useless if the overall prices of American goods should rise by 15 per cent, and the prices of foreign products were to remain stable.

As far as domestic consumers are concerned, the only price rises they face are those made necessary by purchase of foreign goods in this country or of domestic products made with foreign components. Thus, consumers of petroleum products—which means everyone who drives a car or almost everyone who consumes electricity—face domestic price rises. Some foodstuffs are expected to go up in price not because they use foreign ingredients but becauuse there should be heavier foreign demand for them now that the dollar is cheaper. Scarcity may drive up their price here.

The reaction to the American action, which was coupled with a Japanese move freeing the yen to "float" (to be traded freely without interference or control by the Japanese government) was generally extremely favorable, both in this country and abroad. Almost the least favorable comment voiced by those economists and bankers in a position to talk authoritatively was that the American move, while necessary at this time, was not going to solve the long-range unfavorable U.S. balance of trade.

President Nixon on Tuesday, February 13, said that the nation must have a "fairer shake" in international trading and warned that tariffs might be raised against nations or exporting groups abroad that employed "discriminatory policies" against American goods.

Extremely important was the psychological change in the atmosphere. The Administration, which in the eyes of many foreign observers had behaved recklessly and precipitately in lifting mandatory price and wage controls when it did, particularly when food prices were driving up the overall rate of inflation so sharply, suddenly began to look more responsible. It seemed to have a program and one that at least had a chance of working.

Nixon Lifts Mandatory Wage and Price Controls As Phase II of Program Yields to Phase III

Early in January the Nixon Administration lifted mandatory price and wage restrictions on all phases of the economy except processed food, health care, interest and dividends, and the construction industry.

Controls lifted, but . . .

The controls were lifted with a catch. The same White House announcement also asked for a one-year extension of the Economic Stabilization Act, due to lapse in April, and warned the decontrolled portions of the economy that mandatory controls would be reimposed if any company's or any group's wage or price actions exceeded Government-set standards for the conduct of private business.

These standards are generally similar to the mandatory controls that existed under Phase II of the price-wage program, but there are significant differences in the monitoring and enforcement procedures. For example, under the new regulations, firms with sales of $250 million or more are only required to file quarterly reports of price rises and profit margin changes. All companies with sales of $50 million or more must keep detailed records of price and profit margin changes available for Government inspection.

It is in the area of monitoring price and profit margin changes that the new program is most amorphous. During Phase II "consumers" were encouraged to report any suspected price violations to the nearest IRS office; such reporting is definitely not welcomed under Phase III. Indeed, local IRS offices seem to be pretty much out of the picture. About 1,500 IRS agents will continue to be involved in monitoring acceptance of the new "voluntary" restraints. These agents will work out of Washington and will review records of the large companies required to submit them, do sample audits and spot checks at the less than $250 million level.

This compares with the requirement under Phase II that each company with sales of more than $100 million obtain prior approval of any proposed price increases and companies with less than $100 million in sales but more than $50 million file quarterly reports of prices and profit margins. There were also, under Phase II, about twice as many IRS agents assigned to the control program, and they were scattered through nearly 60 offices across the country.

Supervision at the top has been eased considerably too. The old Price Commission and the Pay Board have been abolished and their functions assumed by the Cost of Living Council. Cost of Living Council officials will monitor companies' compliance with the Government guidelines primarily through published reports in the general and trade press.

At first, there was no indication as to what penalty, if any, other than price rollbacks or reimposition of controls, might be faced by a company that brazenly disregarded the Government's suggested guidelines.

However, the point was subsequently cleared up in an interview with Secretary Schultz by *U. S. News and World Report*. Companies that violate the Government guidelines, he said, will not be required to refund the money to those who had bought their products nor will they be penalized for setting their prices higher than the Government guidelines. They will be subject to "retroactive penalties," since their action could result in reimposition of mandatory controls which would mean that excessive price increases subsequent to reimposition could result in penalties.

Executive Job Outlook Brightens for 1973, Three Firms Report

The last half of 1972 showed a 28 per cent increase in the amount of display advertising for executive positions as compared to the same period in 1971, reports Heidrick and Struggles.

Executrend, the consulting firm's copyrighted survey of management openings display advertising appearing in 11 major U.S. cities, found only in the area of personnel was there a drop in the number of management positions advertised. As compared to the last half of 1971, personnel advertising dropped 6 per cent.

However, the other functional areas of management reported on by Executrend showed an increase in the last half of 1972 as compared to the same period in 1971: defense engineering up 142 per cent; general engineering and science, 28 per cent; finance, 17 per cent; general administration, 58 per cent; manufacturing, 48 per cent; and marketing, 13 per cent.

As for the total demand for executives in the last half of 1972, general engineering accounted for 27 per cent of the positions advertised; finance, 24 per cent; marketing, 20 per cent; manufacturing, 13 per cent; defense engineering, 6 per cent; general administration, 6 per cent; and personnel, 4 per cent.

Accounting demand up

Even more optimistic than the Heidrick and Struggles' survey results is the Boyden Associates, Inc., prediction that the demand for executives with minimum salaries of $25,000 is likely to be about 20 per cent higher in 1973 than it was in 1972.

"The 1973 outlook for executive job opportunities should reach a five-year high," said Boyden President Frederick M. Linton. The executive search firm makes its prediction on the basis of its nationwide survey of 475 major corporations.

According to the survey, the job category with the greatest potential increases is the accounting and financial area, rising 20.7 per cent on a national composite. Engineering and research was the area with the lowest forecasted increase, 4.5 per cent on a national composite.

The areas of the country that the survey indicates will have the greatest executive growth potential are the East and Southeast. With the exception of accounting and finance, the West Coast showed a significantly lower increase in all job categories, Boyden reports.

The greatest increase in projected executive positions in 1973 will be in consumer durable goods, up 17 per cent, the executive search firm predicts.

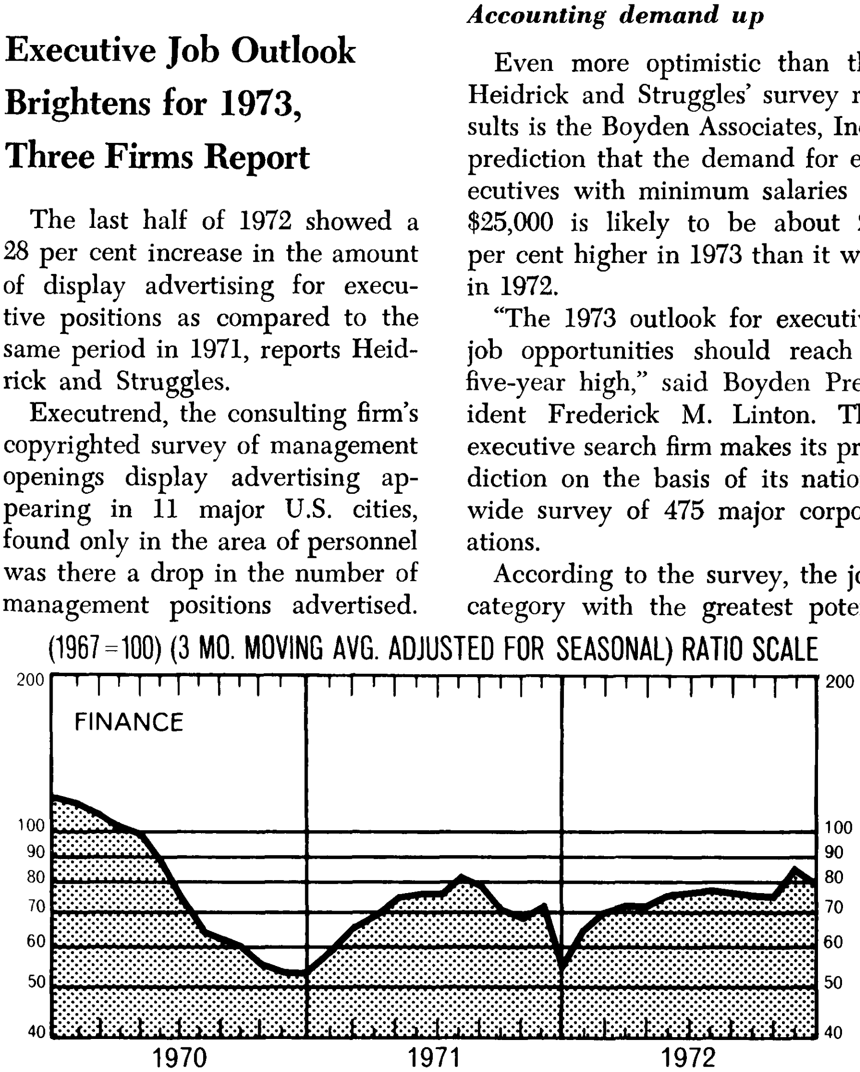
Third firm concurs

A third firm also involved in executive search is predicting a good job market this year too.

"The nation's executive job market outlook will show continued strength and growth in 1973 and will expand over the 1972 rate by 15 to 18 per cent," said Korn/Ferry International's President Lester B. Korn.

"Internationally in 1973, demand should increase 20 per cent over 1972," he said. Those being most sought after will be chief executive officers, chief operating officers, general managers, and finance officers, Mr. Korn stated.

(1967=100) (3 MO. MOVING AVG. ADJUSTED FOR SEASONAL) RATIO SCALE



From Heidrick and Struggles' Executrend.

Control Data—IBM Suit Settled; Justice Lawsuit Pending

Control Data Corp. has settled its suit against IBM and, consequently, the Justice Department is going to have to work a little bit harder on its own case against the computer giant (see M/A, Nov.-Dec., '72, p. 9).

In December, 1968, Control Data first filed its antitrust suit against IBM. It charged IBM with a multitude of monopolistic and anticompetitive practices in both the marketing and manufacturing of computers. IBM responded with counterclaims. The case was scheduled to come to trial on November 5, 1973 in Federal District Court in St. Paul, Minn.

William C. Norris, Control Data's chairman and president, commented after the settlement was announced on January 15, that the suit against IBM "has proved to be one of the best management decisions in our history.

"We are extremely pleased with the settlement. It was fair, and our company will achieve substantial long-term benefits from the business transactions."

It has been reported that most of the information that the Justice Department has about IBM's alleged monopolistic practices comes from copies of the documents and testimonies Control Data had gathered in preparing its own case for court. Mr. Norris said that in light of the settlement, Control Data will not further aid the Government in its case.

In fact, Control Data destroyed the index which accessed its 150,000 pages of IBM's documents by author, date, and subject matter.

However, in a letter to stockholders, Mr. Norris wrote, "We will continue to advocate the relief which we believe should be obtained for all segments of the industry by the Government's case."

Marketing practices were not covered in the settlement, but Mr. Norris said that he thought only the Government, not a private plaintiff, could obtain any lasting action in this area.

The four principal terms of the agreement reached between IBM and Control Data were:

1—IBM would sell the Service Bureau Corporation, its wholly owned subsidiary, to Control Data and would also promise not to engage in the data services business in the United States for six years.

2—IBM would grant four five-year research and development contracts to Control Data.

3—The world-wide patent cross licensing agreement between Control Data and IBM would be extended until June 30, 1978.

4—IBM would reimburse Control Data for its expenses in the amount of $15 million.

Frank T. Cary, IBM's chairman and chief executive officer, said at the settlement's announcement, "I'm gratified with the settlement reached with CDC. This suit has gone on for over four years and has represented a significant and growing expenditure of management time and legal expense. This settlement is timely and conclusive and it gives fair value to both sides."

Telex Corporation has also brought antitrust charges against IBM. That case is scheduled to proceed on April 16, 1973. Telex has charged that the destruction of the index was against court orders and thus the IBM-CDC settlement should be set aside. CDC claims it offered the index to Telex for $5,000, but its offer was refused.

New Charts On Sex Discrimination In Wages Released

The Conference Board, not generally known as a women's liberation organization, recently released some charts depicting the large income disparities between women and men.

Numbers used in the charts came from the latest available data from the Bureau of the Census and the Bureau of Labor Statistics.

In 1970, the median income for all women who were year-round full-time workers was $5,440, compared with $9,184 for men. Women on the average earned 41 per cent less than men, which, The Conference Board notes, is virtually the same ratio as existed in 1939.

However, in 1971, 5.9 million households were headed by women as compared to only 3.6 million in 1950, or about 60 per cent more families have women as their prime source of income. Full-time year-round working female family heads had a median income of $6,168 in 1971, or about 40 per cent less than male heads, who had a median annual income of $10,149.

"These income disparities exist almost a decade after passage of the Civil Rights and Equal Pay Acts, both of which were designed in part to equalize pay differences," The Conference Board observes.

It also notes that since 1948, the number of women aged 20 and over in the labor force has increased by 91 per cent, as compared with 20 per cent for men.

The Conference Board charts are part of its "Road Maps of Industry" series designed for its members and educators.

Europeans also discriminate

Reuters recently did a study of the European community and found that women at every professional level are paid less than men. The news agency observed, "the EC is becoming the world's foremost commercial force and the anomaly of the woman worker's inferiority . . . is glaring."

Women at Pitney Bowes Demand and Win New Promotion Policies

A new effort to provide equal treatment for women and minority group staff members has been undertaken by Pitney Bowes.

The company's reevaluation of its employee policies started last spring when Magdalen Canning, a P.B. financial division trainer, voiced her criticism of the status of women in the company at a jobholders' meeting.

Among other observations, Ms. Canning found that while 88 per cent of the employees in P.B.'s customer accounting department were women, only 13 per cent of the management positions were filled by them.

The company responded to Ms. Canning's criticism by assigning her to coordinate a study of the status of women within Pitney Bowes and how it could be improved. She took the leaders of the newly formed study group to Boston to consult with a similar task force that had been formed at the Polaroid Corp.

Few exempt jobs

Some of the statistics P.B.'s task force discovered were that 33 per cent of the company's total work force in Stamford was female, but only 7 per cent of its salaried (exempt) jobs were held by women. None of its company officers were women.

Some of the women's task force study recommendations that Pitney Bowes' management agreed to were: male and female candidates are to be asked the same questions in job interviews; a feasibility study of a company-run day care center for working mothers is under way; supervisors are to encourage qualified employees to apply for more responsible jobs; management is to try to integrate previously segregated work sections; the term "sales representative" is to be used instead of "salesman."

No special priorities

Although the company was 90 per cent in agreement with the task force's recommendations, it would not agree to the group's suggestion that in filling positions "if two [job candidates] are equally qualified and one is a woman or a minority employee, the latter should be given priority."

Management would also not agree to providing every employee with his job description, job level, and pay range, because it "would require too much paperwork to keep such information current particularly where pay ranges are concerned." However, the employee can request the information from his manager and copy it for his personal reference.

AT&T Pays Minority Employees $15 Million 'Delayed Restitution'

The Government's discrimination suit against the American Telephone and Telegraph Company has been concluded with the company paying out the largest settlement ever made of this kind. In addition, the Government has used a new punitive measure, "delayed restitution," for not complying with civil rights legislation.

On January 18 AT&T said it would award approximately 13,000 female and 2,000 male employees $15-million in equal pay claims and restitution. An additional $23-million a year in raises will be paid out by the corporation.

"Delayed restitution" compensates a worker who did not try for a promotion because he thought the company would not give him one. Ten thousand AT&T female employees who are transferring into craft jobs will receive up to $400 each in "delayed restitution."

David K. Easlick, AT&T vice president—human resources development, said, "It is good to clear the air in this way. It is good to arrive at a more precise understanding of what the law requires in the equal employment opportunity field, and to be able to strengthen our Affirmative Action Programs in line with this understanding."

A lawyer for the Equal Employment Opportunity Commission, David Copus, was quoted as saying that when others read the agreement "employers won't have any trouble knowing what they're going to be asked to do. Anyone who has a skeleton in his closet should be nervous."

An error appeared in the November-December issue of *Management Adviser*. In a news story appearing on page 15 of that issue, it was stated that Recomp Systems, Inc., is a wholly owned subsidiary of Allied Stores Corp. Although Recomp Systems, Inc., markets data services for Alcomp Systems, Inc., which is a subsidiary of Allied Stores, Recomp Systems, Inc., is not and never has been affiliated with Allied Stores Corporation.

Canadians Found to Be Well Represented in Company Leadership

Canadians do have a voice in the business affairs of U.S.-controlled companies in Canada, maintains Handy Associates, management consultants.

The firm found that more than 55 per cent of all board members of Canadian corporations owned or controlled by U.S. interests are Canadian. Nearly two-thirds of the presidents of these corporations are also Canadians.

James A. Skidmore, Jr., Handy president, said that in more than half of the 29 Canadian corporations studied, Canadians had "the bigger say." Of 268 directors, 148 were Canadian, 112 American, and the remainder were of different nationalities.

American manufacturing companies average 11 directors on their boards, but Canadian concerns tend to have smaller groups, Mr. Skidmore noted.

"For the companies we studied the average is nine, almost evenly balanced among directors employed by the parent company, those employed by the Canadian operation, and outside directors. The nationality or citizenship of the average nine-member board is about five to four in favor of the Canadians."

Almost 95 per cent of the outside directors are Canadian, Mr. Skidmore reported.

"In only one company did we find zero Canadian representation on the board. And in one case, we found only Canadians, all of whom are company officers," Handy's president said.

Poor Product Planning Handicaps Their Companies, Marketing Managers Report in Survey

What is top management doing to decrease the number of new product failures, the management consulting firm of Coloney, Cannon, Main & Pursell, Inc., asked in a recent survey.

The New York firm questioned 23 marketing managers in companies whose 1971 sales aggregated $11 billion. Its findings were reported on in the fall 1972 issue of CCM&P's quarterly, *Management Practice.*

According to three-quarters of the managers, their companies' total product line planning suffered from short-sightedness. This seems to be in spite of the fact that two-thirds of the managers said their companies had developed some overall strategy that spells out how the product line will be used to further the company's profit and volume objectives.

Review reveals weaknesses

"The most direct evidence of sound or unsound product planning is a review of the product line itself. And the answers to questions about the product line suggest in most companies strategic weaknesses persist," CCM&P states.

Of the managers questioned, 64 per cent characterized their new products as both "late" and "me-too" efforts. Sixty-five per cent cited the absence of low-priced or specialty items that facilitate product line distribution, CCM&P reports.

About half of the managers said that senior management was only involved in the latter stages of the new product development process. Only one-quarter of the participants' companies have senior managers allocating the budget among activities and to specific new products.

Over half of the respondents to the CCM&P questionnaire said that they believe their jobs are made more difficult because of communications and organizational barriers. Two-thirds of the marketing managers cited as a problem lack of a person or group clearly responsible for directing the new product effort.

CCM&P suggests, "Every effort should be made—if necessary, every rule of organization broken—to bridge all communications gaps; to find the 'right man' to plan and direct the product line; to put him in a position to do the job."

The questionnaire used in this survey, "Managing the New Product Function: A Diagnostic Questionnaire," and the CCM&P quarterly newsletter are available from the firm, free of charge, at 50 East 42nd Street, New York, N.Y. 10017.

Social Costs: Should They Be Incorporated In Capital Budgets?

Corporations should adopt explicit plans for incorporating social costs and benefits into their capital budgeting processes, Dr. George W. Trivoli believes.

In a paper presented before the annual meeting of the Southern Finance Association, the University of Akron educator said, "With the increasing percentage of private business budgets flowing into pollution control and socially responsive investments, it becomes imperative for them [such businesses] to utilize a systematic budgeting technique to guide the allocation of funds."

Dr. Trivoli pointed out that the amount spent in 1972 on pollution control was five times as much as that spent in 1967 and twice as much as was spent in 1971.

He believes that more widespread support of corporate socially-oriented expenditures will be generated if stockholders are consulted prior to making such decisions.

"Following the usual approach of capital budgeting theory, a project should be undertaken only if the expected rate of return exceeds the firm's cost of capital. Application of this general criterion to all private corporate investments should, other things remaining equal, result in the maximization of the market value of the firm's stocks."

A model for a corporate socio-economic operating statement has been worked out by David F. Linowes, CPA, and was introduced at the 1972 Environmental Health Conference (see M/A, January-February, '73, p. 13).

Assigning Salesmen to Territories Outdated, Business Journal Says

The assignment of sales personnel to geographic territories is an outdated concept, according to Alton F. Doody and William G. Nickels, writing in Michigan State University's *MSU Business Topics,* Autumn 1972.

"Strategic selling is necessary to meet the needs of the relatively small percentage of business, 11.6 per cent, that accounts for about 90 per cent of the nation's total sales receipts," the authors maintain.

Mr. Doody, vice chairman of Management Horizons, Inc., and Dr. Nickels, assistant professor of marketing at the University of Maryland, point out that in companies where sales people are confined to geographic territories their jobs become sales service, rather than sales. The salesmen often resent the service activities because "they involve much paperwork and have little to do with face-to-face selling as traditionally defined."

Sales organizations have to be restructured so that sales people have two tasks: sales development and sales maintenance.

The sales force should aim to promote the establishment of "long-term symbiotic relationships between buying and selling organizations," the authors say. It should aim to deal effectively with the customer giants, the companies that do 90 per cent of the buying.

"This means a thorough knowledge of the customer's economic situation, competitive situation, and systematic needs. In some cases, the product package must be custom made, and this may require top level negotiations between the corporate officers of the buying and selling organizations," Mr. Doody and Dr. Nickels conclude.

Short-Term Gains Cited as Danger Area For Pension Funds

Pension fund managers should be cautious about converting short-term gains into immediate improved benefits or reductions in pension costs, warns Martin E. Segal. Short-term gains should usually be used to cushion short-term losses, he maintains.

Mr. Segal, president of Wertheim Asset Management Services Inc. and senior vice president of Wertheim & Co. Inc., brokers, addressed his remarks to the First Annual Pensions Conference in New York, January 15.

"Funds which fall prey to the siren songs of over-zealous financial advisers who project annual investment gains of 10 to 12 per cent or more may be courting severe financial problems," Mr. Segal warned.

He advised against pension funds carrying high paper profits over extended periods.

"Paper profits, carried year after year, may make the investment adviser look good in performance studies but they do little for the plan participants. A more sensible approach is represented by the imaginative formulas developed by some actuaries for the efficient use of long-term paper profits," he said.

Beware of 10 per cent yield

Mr. Segal noted, "If past experience is the measure, yields of 10 per cent or more are not forthcoming for periods significant to pension funds."

He advised against an emphasis on speculative issues in the pension fund portfolio and suggested an adequate counterweight of fixed-income securities be maintained.

Overseas Executives May Not Need Premiums: Conference Board

American executives serving in foreign posts are believed to need financial premiums because of the physical and psychological hardships entailed in their jobs, a study by The Conference Board finds.

The Board surveyed 267 of the largest U.S.-owned international companies and found that 84 per cent of them pay a financial premium to expatriate executives and 81 per cent provide cost-of-living allowances in addition to salary.

Not much of a hardship

Opponents of the foreign-service premium say that very few foreign assignments involve the hardship today that was present decades ago when the extra compensation may have been needed.

According to the study, these opponents contend, "As for personal risk, a man is safer in Central Africa than in New York's Central Park, they say. What enticement is required to move a man from Brooklyn to Paris, London, Copenhagen or Rome, they ask?"

Yet 72 per cent of the companies surveyed provide their overseas executives with either housing or special-housing allowances. In some companies this housing benefit is also extended to local nationals.

Other benefits

Other related statistics uncovered by The Conference Board were: income tax payments which exceed home-country levels are reimbursed to U.S. expatriates by 70 per cent of the companies; an annual or a biannual home leave is offered by 88 per cent of the companies; insurance (life, accident, or health) is provided by 95 per cent of the companies; and a retirement plan is provided by 90 per cent of the surveyed companies for some of their overseas employees.

Oil-Rich Sheikdom of Abu Dhabi Boasts 32 Computers for 50,000 Citizens

The sheikdom of Abu Dhabi in the Trucial States has 50,000 residents and 32 computers.

Ten years ago the sheikdom's principal occupations were fishing and pearling and the primary means of transportation was the camel. In the early 1960s oil was discovered and now the automobile is king.

Recently Abu Dhabi joined with five other sheikdoms along the Persian Gulf to form the Federation of United Arab Emirates. Naturally enough, the Abu Dhabi finance ministry is upgrading its system, to an NCR 200, to handle the administrative burden for all the Federation's members.

Today in Abu Dhabi you may really have to walk a mile for a camel, but not a computer.

For the Management Consultant—

ADAPSO Issues Position Paper Attacking Non-EDP Companies that Offer Computing Services

The Association of Data Processing Service Organizations, Inc. (ADAPSO), has taken a strong stand against the incremental marketing of computer services by organizations whose main businesses are in other fields.

Presumption of coercion

"Recognition of a presumption of coercion in connection with the computer services cross-market tie-in sale by the courts, now, is necessary and proper, and should be made to wait no longer," ADAPSO declared in a position paper.

Although the organization has not started any legal actions on this issue, one of its members has a case pending that relates to it. Reynolds & Reynolds Co., Dayton, Ohio, has filed a suit against Volkswagen of America, Inc., in U.S. District Court in Chicago. VW is supplying software services to its dealerships that R&R once performed. ADAPSO is waiting to see how this case proceeds before taking any action of its own, said Jerome Dreyer, ADAPSO executive vice president.

Increasingly serious trend

According to ADAPSO's president, Bernard Goldstein, "The marketing of computer services by banks, bank holding companies, communications carriers and others are but parts of an increasingly serious and damaging trend by conglomerates and others to use the power they have in their primary businesses to interfere with free and open competition in the computer services industry."

Mr. Goldstein continued, "When companies with huge capital amassed in other businesses, such as automobiles, and with monopolies resulting from patent positions or long-standing trademarks, begin to sell computer services as a sideline, almost always coercion and unlawful tie-ins are present."

According to the ADAPSO position paper, "The cross-market operator has only to remove the coercive tie-in aspect by applying the now recognized 'maximum separation' principle. The public and the cross-market operator are thus not denied any advantages or benefits from scale—which are often small and sometimes non-existent in the computer services industry—but simply the marketing leverage which results from the cross-market relationship and the 'full line' approach."

MIS Planned to Meet Dartmouth's Financial, Educational Needs

Dartmouth College is developing a management information system to aid in charting its future educational and financial needs.

Project FIND (Forecasting Institutional Needs for Dartmouth) will also create a computer language that is flexible enough to enable many users to build their own models for their data interpretation needs.

Prototype already exists

A prototype of Project FIND was implemented last summer. It presently contains data files on 3,500 staff members, 480 faculty members, 300 administrators, and more than 10,000 facilities in 100 campus buildings. To guard all data considered confidential, a series of special passwords has been built into the system.

Dartmouth President John G. Kemeny, co-developer of the Dartmouth Time-Sharing System, said, "As we are entering a stage of modest expansion occasioned by the new Dartmouth Plan, we must monitor very closely the percentage of faculty on tenure and study the long-range budget implications of the size and distribution of the faculty."

One of the major goals of the project is to develop models of various elements of the college, President Kemeny said.

"Once we have succeeded in building models of the major components of the college, we will attempt to combine them into an overall model to be used by the board of trustees in making long-range plans," President Kemeny explained. "We will be able to provide the board of trustees with much more reliable forecasts of the future financial needs of the college, and we will be able to make a significant saving in the size of the supporting staff by using computers to do a great deal of the information-keeping and analysis."

Project FIND is being funded in part through a $100,000 grant from the Rockefeller Brothers Fund and a $100,000 gift from an anonymous donor.

Some Computer Damage Easily Avoided Says Protection Expert

Everybody knows at least one good computer center horror story: thousands of dollars of information wiped out with a magnet; misappropriated tapes that make a former employee a millionaire; or how about the ones about mischievous programers who decide to get their kicks by phoning someone else's computer and playing with it.

Certainly EDP center security is nothing to joke about, because in one form or another many companies suffer problems in this area. At a recent gathering of businessmen, the speaker asked all those whose data centers at one time or another could not find a specific tape to raise their hands. The entire audience raised their hands. The speaker then asked for all those who have had this happen for as many as ten tape reels to raise their hands. A large portion of the audience raised their hands again.

The speaker was Louis Scoma, Jr., president of Data Processing Security, Inc., Park Ridge, Ill. His company evaluates data center security, modifies available security devices for data center purposes, and provides security maintenance for these centers.

In a recent interview, Mr. Scoma described to the writer several devices that would do the F.B.I. proud, but he also gave some common sense pointers that anyone entrusted with computerized material should consider.

He frankly admitted that at the present time anyone using a computer that can be accessed by telephone has no foolproof way to prevent someone from dialing in and using his computer. IBM is presently engaged in a $40 million research program on just this problem (see M/A, July-August, '72, p. 6). However, Mr. Scoma pointed out that scrambling devices are available that code all the information stored in the computer so that even if someone reads out information from your data bank he will not be able to use it.

Keep backup files

Mr. Scoma said he encourages his clients to keep backup files of important data off the premises of the computer center.

Do not keep tape libraries against the wall of a room, Mr. Scoma tells his clients. Large magnets can be placed on the other side of the wall by someone trying to sabotage the EDP operation, and the result will be erased information. He suggests an aisle four feet wide be set up between the wall and the tape library.

The stories about the ten-cent magnets that have destroyed thousands of dollars of information are true, but the only way this can be done is if the magnet is actually put up against the tape reel. Someone casually walking by the tapes would have to have a larger variety of magnet in his pocket to do damage to them.

However, Mr. Scoma has found cases where a small magnet was good enough to do the foul deed. A dishonest tape librarian, the last one to come in contact with the tapes before they were sent into storage, ran a magnet across them and then shipped them off. Computer centers are vulnerable to tape librarians; Mr. Scoma said that he knows of three cases where librarians were proven to be responsible for tape sabotage and at least three others where they were the probable source.

We posed a hypothetical case to Mr. Scoma (based on a question recently asked at an insurance seminar): An accountant is auditing a company with computerized records. He feels he can iron out some problems by taking the client's tapes back to his own firm's computer center. How can the accounting firm be protected against theft or damage of these tapes in transport?

Mr. Scoma said that there is a device known as a "tape preserver" which shields tapes from magnetic forces. (These are ordinarily used to protect tapes that are transported by plane from being damaged by the magnetic force created by the engines.)

A second security measure that could be taken in this case would be to send the computer center operator along with the tapes and the accountant, Mr. Scoma said. In this way it would take two people to steal the tape, two dishonest people instead of one. Sabotage becomes more difficult when more dishonest people are required to bring it off.

Mr. Scoma has developed "Ten Commandments of Data Processing" that he believes management should adhere to to achieve optimum protection of its EDP facilities: 1—Do not take security for granted. 2—Provide for adequate personnel clearances. 3—Establish restricted areas. 4—Provide fire control and prevention measures. 5–Provide for theft detection. 6–Provide for sabotage detection. 7–Establish riot and mob controls for entrances and exits. 8–Do not overlook backup equipment requirements. 9–Generate backup data bases. 10–Be security minded in the physical planning of computer facilities.

Hard copy protection absolute

"If the information you are storing has no value to anyone else and if you keep hard copies of it all, then there is no need to be concerned about computer center security," Mr. Scoma said. "But if you do not keep hard copies and if what you have stored could be of value to someone else, then you have to control access, protect against fire, theft, and sabotage."

The most popular target for data theft is the customers' address file, Mr. Scoma said. Other files stolen frequently are payroll and stockholders' names.

There are constantly new developments in the security equipment field. Mr. Scoma said an idea that had been mentioned for preventing unauthorized access to a computer was to use lip prints as identification. But he doubts the idea will ever become popular; not too many businessmen want to kiss their consoles in order to sign on.

Toan Says Committee Tries to Integrate Social, Financial Reports

The accountant's role in social measurement has frequently been alluded to in the last few years, but now an AICPA committee is trying to clarify just what that role is.

Arthur B. Toan, Jr., chairman of the AICPA's committee on social measurement, told the Institute's council September 30, "Clearly there should be opportunities for management services personnel to apply their skills in the design and implementation of new measurement systems, in the integration of these systems with financial and accounting systems, and in the modification or creation of appropriate systems of financial planning and control."

The skills of CPAs working in the audit and tax fields might also be useful in social measurement, he added, but the extent of their professional involvement is not as obvious.

Mr. Toan said his committee is trying to develop a document that might be entitled, "The Principles and Standards of a Corporate Report." Because of limited funds, the committee decided to concentrate its efforts on the corporate field, Mr. Toan explained. However, it intends to remain active in contributing ideas to government and social agencies as well.

Some of the subjects the committee hopes to cover in its report are: "the purposes of measuring the social performance of a corporation; the nature of the activities and actions to be measured; the criteria to be employed in deciding whether specific activities should be included or excluded; the more appropriate types of measurement; answers to specific measurement problems; standards and forms of reporting," Mr. Toan said.

"The important thing is to try to discover what is immediately feasible, what can reasonably be developed, what seems, even in the long run, to be impractical, and then to see what the costs and the results might be," the committee chairman said.

Chess Anyone? *"As readers of your magazine and former members of the EDP community, we at the U.S. Chess Institute invite all* MANAGEMENT ADVISER *readers to compete in our industry wide postal chess tournament." More information is available from the U.S. Chess Institute, 6 East 43 St., New York, N.Y. 10017.*

'Age of Accountants,' Diebold Tells Finance Ministers in Paris

We are in the age of accountants, John Diebold told the Ministry of Economics and Finance Meeting in Paris.

"In recent years, the image of the super-salesman as a great business manager has passed its zenith, and the age of the efficiency-accountant has dawned in the boardroom instead," he said in a speech entitled "The Social Responsibility of Business."

But not only efficiency must be taken into account by the businessman, the full social costs of his activities must also be measured, the management consultant advised.

Mr. Diebold said he supports the idea of a materials use tax for environmental purposes.

"In the version I favor this would be a tax, at first withdrawal from the environment (which usually means at first sale or import), on each commodity at a rate that would be approximately reflective of the cost that it could eventually impose on the community if it was disposed of in the most pollutant possible legal manner.

"Thus an indestructible plastic container would bear a heavier tax than a paper container, because if you drop it on a dump it lasts longer; and different fuels would bear taxes that would vary according to the mess that they would exude when burning up. Then there would be actual payments, out of the proceeds of this tax, to anybody who disposed of these things in a less pollutant manner."

Although he admitted this system might lead to some absurdities, Mr. Diebold maintained that some similar system of alternative incentives is needed. He suggested that some of the most vital sectors of the economy, such as urban housing, be made the most profitable through Government restructuring of the market and the taxation system.

New Products and Services—

IBM Shows New Low-Priced Optical Scanner; Honeywell Reveals Two New Small Computers

IBM has added a lower priced optical character scanner to its product line. The new IBM 3886 reader makes it possible to enter handwritten numbers directly into a computer without converting them into an intermediate machine-readable form.

The 3886 can read preprinted, typed, or hand-numbered data from various size documents and can either enter it directly into an IBM System/370 or store it on magnetic tape for later use.

There is a substantial difference in price between the 3886 and IBM's two other recent model optical readers. The 3886 under a short-term contract rents for from $2,315 a month and sells for from $91,000. In comparison, the larger 1287 optical reader rents start at $2,715 a month and purchase prices at $122,220. For the 1288 rentals start at $4,755 a month and purchase prices at $223,390. Naturally IBM says the machines have different capabilities.

Reader highly versatile

The 3886 can read either U.S. or European styles of hand-printed numbers, OCR A font, and OCR B font. In addition, it can read the Gothic numerals normally used for ID or serial numbers on preprinted forms. Data in a combination of these styles can also be captured.

Document size for the 3886 may range from 3 inches by 3 inches to 9 inches by 12 inches. Standard size typewritten pages, measuring 8½ inches by 11 inches, can be read by the 3886 at the rate of approximately 300-330 pages an hour, IBM states.

First customer shipments are scheduled for the third quarter of 1973.

Honeywell has added two small scale computers to its Series 2000, the 2020 and the 2030.

The new models, smallest in the family of disk-oriented processors, "provide a logical upward growth path for current users of small-scale Honeywell Series 200 computers, and ensure long-term growth with the Series 2000 line," the manufacturer states.

According to Honeywell, the new computers will compete on a price-performance basis with other computers renting from $2,000 and up, such as the IBM System 3, Burroughs 1700, NCR 50, and the Univac 9200.

The 2020 and 2030 fit between the Model 58 and Model 2040 and can accommodate most Series 200 and Series 2000 peripherals.

Lease price for a minimum configuration of the 2020 is $2,072 per month on a five-year contract, $2,341 on a one-year contract, and purchase price is $96,220.

A minimum configuration of the Model 2030 can be leased for $4,447 per month on a four-year contract, $5,058 on a one-year contract, and can be purchased for about $196,170.

Digital Equipment Shows Four New Minicomputers

Digital Equipment Corporation has introduced four new series of powerful minicomputer-based systems designed for business applications. The new DATASYSTEMs 300, 500, 700, and 800 are based on the PDP-8 and PDP-11 minicomputers.

Stanley C. Olsen, Digital vice president, explained that the company is marketing the DATASYSTEMs directly to large corporations which can assume systems implementation responsibility, and to original equipment manufacturers. "We don't beleve that the self-sufficient user should be forced to carry the burden of unnecessary support and assistance efforts required by the first-time or inexperienced user of data processing equipment," he said.

Serves many needs

According to Digital the DATASYSTEM 300 is a family of three small business data processing systems (320, 330, and 340) designed specifically for the office environment. The 500 Series is designed to provide both batch and on-line multiple terminal capabilities to corporations that desire to implement a distributive data processing program, or to serve as a stand-alone system capable of performing all the data processing functions required by a small business.

The manufacturer says that the DATASYSTEM 700 series is designed to provide low-cost, interactive time sharing on-line data management. The DATASYSTEM 800 series is specifically designed to handle on-line information storage and retrieval in dedicated systems serving many simultaneous users.

Delivery time for the DATASYSTEMs is 120-150 days.

A new monthly newsletter commenting on events and trends in the data processing industry is available free of charge from Datapro Research Corporation, One Corporate Center Route 38, Moorestown, N. J. 08057.

The four-page newsletter, *DATAPRO NEWSCOM*, is prepared by the editorial and marketing staffs of *DATAPRO 70*, an EDP reference service that analyzes and evaluates hardware and software products.