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People, Events, Techniques

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people, events, techniques

Uses of Energy Becoming Less Efficient, Commoner Warns Chicago Group; Short-Run Policies of Past Produced Energy Crisis, Federal Official Says

The efficiency with which energy is converted into goods and services has declined, observed Barry Commoner, director of the Center for the Biology of Natural Systems at Washington University, St. Louis.

Speaking at a public lecture sponsored by the University of Chicago's Graduate School of Business, under a grant from ITT, Mr. Commoner said we are using increasing amounts of energy to produce given units of food and given units of value added in manufacturing and to move given units of freight.

He sees the need to redesign the nation's productive technologies to use energy and other resources, "including the environment," more efficiently.

"We need to ask why this seemingly irrational trend in productive technology has taken place. The answer is to be found in our economic system which, after all, governs the decisions as to what is produced and by what means.

"Increasingly, energy has become the means by which the behavior of the productive system is made to respond to the goals of the economic system," he stated.

Causes of energy crisis

Another speaker in the University of Chicago lecture series, William A. Johnson, assistant administrator, Federal Energy Office, asserted that policies designed to reach short-run objectives in the past have precipitated the current energy shortage.

"For years we have been sacrificing long-run interests to secure various short-run objectives, such as unrealistically low prices, wasteful patterns of consumption, and too rapid application of environmental controls and restrictions . . . Now we are paying for these policies," he said.

Price controls have not improved the situation either, he added: "Even with the Cost of Living Council now a thing of the past, provisions of the Emergency Allocation Act of 1973 extend controls over oil prices until February 28, 1975, and there is support in Congress for continuing these controls even further. I expect that they will continue to intensify this crisis for as long as we persist in trying to replace the market price with administrative decision."

Price controls have: distorted production patterns, leading to shortages of some refinery products and surpluses of others; encouraged questionable actions by different industry segments; and discouraged new investment and exploration, Mr. Johnson said.

"Some uncertainty is a natural part of business operations, and profits are, among other things, a return to the businessman who is willing to take risks. The uncertainties created by price controls and other Government policies have been unnatural. These controls have deterred investment and, because of this, increased our dependence upon high-cost, unstable foreign sources of oil," he stated.

Goodyear Aids Hospital Management as Counter To Rising Health Costs

In 1968 The Goodyear Tire & Rubber Company paid out $25,863,000 for its domestic medical employee benefit program; in 1973 it paid out $55,451,000 for the medical program, reported O. M. Sherman, Goodyear vice president-corporate relations.

Mr. Sherman spoke at The Conference Board's "Health Care Issues for Industry" meeting, April 23, in New York.

"With this kind of mounting outflow of dollars over a relatively short period of time, we decided to embark on a course of action which would have as a goal a program of cost control, at least to the extent that the possibility exists for control or containment," the Goodyear executive said.

Goodyear formed its own health care committee and subcommittee composed of corporate executives who sat on hospital boards in Akron or whose scope of responsibility was directly affected by the problem, and included legal, financial, and industrial relations officers. The corporation also hired a full-time health care consultant to develop and initiate a program to assure the company that its employees were getting quality health care at the lowest cost consistent with such care.

"We had to consider that providers of health care services are Goodyear suppliers, a somewhat different characterization than we have been used to," Mr. Sherman told The Conference Board meeting.

First the Goodyear group realized that a data collection system must be devised. It knew that the length of hospital stay in Akron was three days longer than that of other company locations, exceeding the national average stay by two days. Local hospital authorities provided varied reasons for this. Goodyear felt statistical refinement was necessary. The company is now in the process of developing a system with which it will be able to compare hospitals by: discharge diagnosis, age, and sex of patient; inpatient services for like diagnosis; and disability codes.

"These figures will then be related to criteria of care, provided by the medical profession, and our basis for negotiating with hospitals will be on as firm a foundation as possible," Mr. Sherman stated.

Foundation serves as model

In one location, Goodyear has contracted with a medical foundation to have a group of physicians perform hospital utilization and peer review of all health services rendered to Goodyear employees at that site. This is also to provide data on comparative length of hospital stay, necessity of inpatient admissions, and physician charges.

"Another facet of our policy of health industry relations revolves around the concept of 'approved providers.' Having access to carefully studied data and determination of 'quality of care' through medical foundations and Professional Standards Review Organizations, we feel, as a payor of health care, that we should have the right to approve or disapprove a provider of health care for payments under the company-paid benefit program. To protect both company and employee interests, a hospital, nursing home, physician, laboratory, or any other health care provider which does not conform to the standards of rendering quality care at a reasonable cost should relinquish their right to our benefit payments. Fully realizing that any negative judgment made under this policy must be carefully determined, nevertheless, we expect to continue to develop the concept," Mr. Sherman declared.

Goodyear management employees are urged to serve on hospital governing boards, bearing in mind that the company views hospitals as suppliers of an expensive service, he explained. In some communities Goodyear is the major payor of a hospital's revenue. The company has provided management and engineering consultation to help hospitals increase their efficiency and improve their planning. Its executives have become members of local planning agencies.

"As a member of the National Chamber of Commerce's Committee on Health Care, and chairman of the Health Care Financing Subcommittee, I have worked on the Chamber's recommendations regarding national health insurance. Our work is in its final stage and, very shortly, the Chamber's bill will be presented," Mr. Sherman reported. "Briefly, the concepts supporting this piece of legislation will include the following:

"(A) Private administration outside of the bureaucracy of the Federal Government.

"(B) Meaningful cost controls with payors assuming some role in monitoring the costs, efficiencies, and qualities of the service.

"(C) Provider accountability wherein health care suppliers are responsible to those paying for and receiving the service.

This is the last issue of MANAGEMENT ADVISER.

Founded 11 years ago as MANAGEMENT SERVICES, the magazine realized its original circulation goals within the first two years of its existence. Estimates of its advertising potential, however, were never realized.

As the cost of every ingredient that goes into publishing rose over the years, the magazine's financial difficulties increased. Finally, the Board of Directors of the AICPA, on recommendation of the management advisory services executive committee, decided that it would be best to increase the number of management articles in *The Journal of Accountancy*, our more prosperous sister publication, and abandon MANAGEMENT ADVISER.

All current subscribers to this magazine may have their subscriptions fulfilled through *The Journal of Accountancy*.

We would like to take this opportunity to thank each of our contributors, and also each of those who have served on our editorial advisory committee, management advisory services forum, and magazine review panel for their loyalty and efforts over the years.

We would like, too, of course, to use this last editorial to thank our many readers who have written in or otherwise communicated with us to tell us of their regret over the magazine's end.

To all of you, we repeat our thanks, and sign off with the traditional "30," the newspaperman's customary signal to indicate that a story has ended.

—The Editors

"(D) The legislation encompasses benefit tradeoffs or actuarial equivalency."

Mr. Sherman stated that Goodyear decreased its monthly employee health service costs in Akron by seven per cent in 1973, from $32.50 per employee per month in 1972 to $30.15 in 1973. However, he admitted it is not easy to determine how much of this decrease should be attributed to the cost control program.

Of Companies Surveyed, One-Fifth Offer Workers Drug Abuse Assistance

Counseling or referral programs for employee drug abuse problems are in operation in 20 per cent of the companies that responded to the Bureau of National Affairs, Inc., survey, *Personnel Policies Forum.*

Two-hundred and four companies were covered in the survey, 47 per cent of which had 1,000 or more employees.

Alcoholic counseling

Among the survey's findings were: twenty-eight per cent had counseling or referral programs for alcoholics, 25 per cent for emotional illness, and 24 per cent for personal problems.

Seventy-five per cent reported having company medical facilities including first aid stations. Fifty-five per cent of the respondents said they had sick rooms. Full- or part-time doctors were on the staff of 59 per cent of the companies and full- or part-time nurses were on the staff of 63 per cent.

Although 80 per cent of the companies provide their employees with pre-employment physicals, only 20 per cent give all employees follow-up physicals, 39 per cent give follow-ups to management only, and 22 per cent give them to "certain groups of employees."

Company credit unions are available at 61 per cent of the responding firms. Child care services are in operation at 6 per cent of the firms, none of them manufacturing companies.

Fifty-four per cent of the companies said they had employee lunchrooms with vending machines and 43 per cent had employee cafeterias.

"Service for Employees," *Personnel Policies Forum* Survey No. 105 is available at $5.00 per copy from the BNA at 1231 25th Street, N.W., Washington, D.C. 20037.

Both Government and Business Distrusted By Public, Ramo Says

The public is paranoid, trusting neither the Government nor business, Dr. Simon Ramo observed in the keynote address of the University of Southern California Business School's Annual Seminar. The seminar was attended by USC's business administration students, faculty, and invited business leaders April 16.

Dr. Ramo, vice chairman of TRW, Inc., said that the public equates business with selfish profiteering and sees the Government as a hopelessly inefficient bureaucracy, "populated by slow workers and led by incompetents, empire builders, or scoundrels."

"Today business success, when it occurs, is often interpreted as proving that profits are too high and should be taxed away by the Government. Yet the Government is considered by the same interpreters as sinfully wasteful, and taxes and Government expenditures are believed to be too great. When these views prevail together, they constitute a perfect formula for slowing progress," he said.

The United States is unique in having the combination of technological strength, natural resources, a single large and integrated economy, and proven national talent for organization, the TRW executive stated. The nation's future economic and social health will depend on business and Government working together, Dr. Ramo believes.

"More of our most creative and well-educated young people should interest themselves in the interface between Government and business. There are opportunities here for new and satisfying careers. The most outstanding business firms in the future will be those whose leadership is skilled in the interface problems: technology and economics, marketing with social change, and business with government . . . The ability to put it all together will characterize success," he concluded.

Former Price Controller Sees Possible Return if Inflation is Not Beaten

Unless business and labor prove the free market system works, the United States is likely to have new wage and price controls in two or three years, warns former Price Commission Chairman C. Jackson Grayson, Jr.

Prices are rising three times faster today than they were a year ago, when Phase II held the inflation rate at three per cent, Mr. Grayson observes.

"This is a most regrettable situation for the American people and a danger to the economy. We could fall into the low economic growth pattern and problems of the European nations, as typified today by Britain," he stated.

Now dean of the Graduate School of Business at Southern Methodist University, Mr. Grayson is promoting his book *Confessions of a Price Controller,* Dow-Jones-Irwin, Inc. The book is addressed to the general public because he believes that is who will determine whether further controls are necessary.

In the book, he tells of the Administration's lack of preparedness for controls and criticizes the inadequacy of statistical and other information he feels was needed for the country's economic decision making. A list of do's and don'ts for future controls is outlined in his book.

'Think Tank' Seeking Women's and Minority Integration Organizes

An interdisciplinary group financially backed by the Xerox Fund, IBM, and General Electric has come together to formulate some new ideas to more completely integrate women and minority groups into the United States economy. It is called the Economic Think Tank for Women and it anticipates having its first summit conference this fall.

Reporting on the group's May 11 planning session, Betty Freidan told a press conference that the women's movement is proceeding from the crest of stage one, which entailed breaking through explicit sex discrimination. "What is needed now is new economic thinking," she announced.

The economic turmoil of the nation and the emergence of women seem to be on a collision course, she remarked. Women who have been only recently hired, overcoming previously existing barriers, are quickly being fired as cutbacks become necessary. She cited the case of the first female airline pilot, who suffered this way. The Economic Think Tank for Women is designed to act as a catalyst for new thinking, for developing options and alternate proposals for the future, Ms. Freidan stated.

"Events are moving too fast for our economists," Alvin Toffler, author of *Future Shock*, said at the press conference. "There have been few new economic ideas since Keynes." He pointed out that, in the past, outside groups pressing to get into a system have been the ones to bring new ideas to it. Some of the issues he believes the group should study are the implications of the growth of the single-parent family; the acceptance of childlessness as an option; and husbands and wives sharing a career. Flexible working hours, retirement, retraining, tax structures will be topics for the Think Tank's attention.

The Center for Policy Research, Inc., is temporarily volunteering space to the project. Its director, Amitai Etzioni, mentioned two issues he is interested in seeing work on. One is the concept of "compensatory seniority," which would help end women and minority groups' suffering from the last-hired-first-fired syndrome. This idea would have those who spend some time in managing a home be given compensatory recognition.

The 'liberated family'

His second area of inquiry would be the redesigning of buildings to take into the consideration "the liberated family." This might mean day care centers and communal kitchens being placed in office buildings for the convenience of families where both husband and wife work outside the home.

"It's time that women and minorities quit fighting over the same piece of the pie," Althea Simmons, National Education Director of the NAACP stated. "We have to take full advantage of the Affirmative Action programs, limited though they might be." Ms. Simmons believes the new economic ideas generated by the Think Tank will benefit minority groups as well as women.

Ernest Boyer, Chancellor of the State University of New York, said that his interest in the new group was in seeing how institutions can become flexible and interlock. How universities can meet the needs of not just 18-year-olds, but all age groups. He explained, "Early retirement and greater longevity have the capacity for making education a continuing activity for people who are to be trained and retrained to grow and regrow." Education should be related to increased aspirations, freedom, time, and leisure, he said, and perhaps even the retirement home.

Theodore Kheel, labor mediator, pointed out that these new economic ideas will cause problems in the labor area. For instance, on the idea of compensatory seniority, he said, "There is merit to that but necessarily it will be taking something away from somebody." However, Mr. Kheel endorsed the project, "What I like about the Economic Think Tank for Women is that it is thinking about possible solutions, not just cursing the darkness."

The fall summit meeting will invite 200 attendees to join the Think Tank effort. The group hopes to get more funding from various corporations and foundations and has so far received substantial voluntary help. It expects to be an ongoing project that will produce research papers, cassettes, and other media to promote its findings and to raise revenue. Its budget now calls for \$150,000 a year and includes a proposed staff of six.

Temporarily, the Economic Think Tank for Women has offices at the Center for Policy Research, 475 Riverside Drive, New York, N.Y. 10027.

Decentralized Buying May be Outdated, Says Logistics Newsletter

Although decentralized purchasing has become a standard practice for many corporations that want to maintain autonomy of divisions and avoid conflict with line managers, it may not be the best policy to follow in a shortage economy, suggests Japan Air Lines in its *Logistics Newsletter* May issue.

"But whereas in the past centralization was assessed primarily in terms of its potential for improving price leverage, today it must be viewed in terms of its potential for assuring a reliable supply. Rather than weigh in the added administrative costs and problems against the potential price savings, the firm must consider whether the alternative and less costly decentralized procurement activities may not in the end generate far greater costs in interrupted production, for example, or widespread customer service failures," the newsletter states.

JAL points out that centralized procurement potentially means added transportation costs as a single source of supply rather than numerous local sources are used. Stockpiling purchases at a central point with a single safety stock may help to offset this expense.

The airline explains, "This will have the effect of reducing overall supply requirements and inventory investment while at the same time providing tighter control of scarce materials. As is already the practice in many firms, spot shortages at individual plant locations can be overcome by expedited transportation or air cargo.

"In some instances inventory savings plus reduced production costs due to reliability of supply will justify a regular air cargo replenishment program for plants beyond a certain radius from the central supply point," JAL advises.

Copies of the May newsletter are available at no charge, by writing to Cargo Sales Department, Japan Air Lines, 655 Fifth Avenue, New York, N.Y. 10022.

National Materials Policy Uncoordinated, Says NBS Director

The nation needs a coherent materials policy, Richard W. Roberts, director of the National Bureau of Standards, told the Mechanical Failures Prevention Symposium sponsored by the NBS, May 10, in Gaithersburg, Md.

"If you look hard enough, you'll find that there is national policy on materials and mechanical failure, but it is a diffuse, uncoordinated, stop-gap policy that lacks a real focus," he said.

Dr. Roberts suggested that the Government: 1—foster development and use of sensitive, reliable methods to test for flaws; 2—support materials research; and 3—help develop a clear definition of product liability.

Product liability cases are becoming more frequent, he observed. In 1960 there were 50,000 such suits and in 1970 there were 500,000.

"At a time when sophisticated new engineering applications and shortages of traditional materials put a premium on innovations in materials and on imagination in design concepts, this legal climate may lead to an overly cautious approach by industry," Dr. Roberts stated. "For example, the avoidance of new materials, overdesign, and delays in marketing. This is an appropriate area for new policy—for strong Governmental support of materials characterizations research and of research and development of non-destructive evaluation (NDE) test methods."

NDE techniques are used for the location of flaws in a structure. These techniques are becoming more precise but still have a long way to go. In ultrasonic testing, one of the most popular NDE methods, "No standard is available against which to make meaningful calibrations; phase and frequency data that could greatly increase the information output is ignored; and automation to increase efficiency and reduce operator variability is not used widely," the NBS director observed. Similar problems are common to other NDE techniques.

The Government's prime mover role in the fields of atomic energy and space exploration and its special responsibilities, such as providing for the common defense, explain its concern for the consequences of mechanical failure, Dr. Roberts stated.

Computer Makers Call For Greater Trade with Eastern Bloc Nations

The Computer and Business Equipment Manufacturers Association has called on the Senate Subcommittee on International Trade to extend the Export Administration Act through 1977. One of the reasons cited was that uncertainty over U.S. export control policy has inhibited socialist countries' acceptance of U.S. company proposals for larger commercial and civil computer systems.

CBEMA officers warned that, "If we cannot adapt U.S. export control policy to the needs, U.S. participation in this market will be self-limiting. In that case, the need will be met either by internal development or from increasingly available alternative sources."

The Association said that international markets are just beginning to open up for the application of business methods. And nowhere is the potential market for commercial and other civil applications greater than in socialist countries.

Peter F. McCloskey, CBEMA president, said, "We believe in the realistic implementation of detente. The markets opened by detente can provide significant benefits to the United States, its industries, and its workers, in addition to serving the cause of international peace. Trade thus generated can be conducted responsibly and with proper regard to the national interest. However, it needs adequate financial credit resources for the large transactions involved. In addition, it needs the assistance of an adequately staffed Department of Commerce Bureau of East-West Trade. And, finally, it needs the continued vigilance of Congress to assure that the U.S. economic interests are balanced against our legitimate national security requirements."

Computers Outpace People Who Run Them, Causing 'Energy Crisis' in EDP Installations, AFIPS President Says

While the computer industry has become a people-intensive industry, it does not have the ability to master an adequate force of skilled manpower, George Glaser, president of the American Federation of Information Processing Societies, Inc., said in the keynote address of the National Computer Conference, May 6-10 in Chicago.

"We are, it would seem, plunging headlong into an energy crisis of our own. We are building and installing powerful machinery for which we already have an inadequate supply of its most important fuel element—talents of our people—and we are doing far too little to maintain and replenish that supply."

Five elements cited

This situation arises from a combination of not enough well-trained, qualified people, their early obsolescence, and lack of adequate career paths for computer professionals. Mr. Glaser broke the situation down into five elements:

"1—There are a distressingly large number of poorly qualified people at all levels, and particularly in user development organizations.

"2—Those who are now competent are becoming less so every day as technological developments continue at an overwhelming rate.

"3—The long-term career prospects for data processing people in most user organizations are not sufficiently promising to attract the talented young men and women who could add to and strengthen our supply of available professional manpower.

"4—Our universities are turning out far too few computer-oriented problem solvers.

"5—We are having a painfully difficult time achieving the level of professional maturity that would help stimulate and reward the continued self-renewal of individual competence."

In detailing some of his points, Mr. Glaser cited the "Paul Principle" articulated by Paul Armer of the Center for Advanced Study in the Behavioral Sciences: "Individuals often become incompetent over time at a level at which they once performed well, because they become 'uneducated' (technologically obsolete) for that level."

Since our economy is becoming more and more dependent on computers, Mr. Glaser believes "the technological obsolescence of computer professionals becomes a national problem."

Although the computing profession may provide challenging and interesting work, the speaker said he had his misgivings as to its providing a long-term rewarding career. He noted that according to the findings of the American Management Association, the data processing chief is the next to the lowest paid manager in the average company, surpassing only the transportation manager. Data processing does not usually report to the company president. The DP manager's energies are often concentrated on managing his specialty and perhaps he does not have time to develop the broad general management skills that would qualify him as a candidate for executive positions, Mr. Glaser speculated.

"For whatever reason, DP managers seldom are given the opportunity to participate personally in the tough decisions that develop and temper the skills of other executives. As a result, they are likely to retain their image as narrow specialists unless they make a concerted personal effort to redirect their careers—admittedly a tough assignment for anyone, and particularly so for the unfortunate soul who has been categorized—however unfairly—as an obsolete manager with no clout," Mr. Glaser added.

Among the activities AFIPS is undertaking to improve the EDP personnel situation is the development and dissemination of information covering improved systems design, job analysis, codes of conduct, and related matters.

"In a broad outline, AFIPS is considering a program designed to (1) assist the Federal Government by supplying technical advice and assistance, when requested, on computer-related issues, (2) improve communications between industry, academic institutions, and Federal agencies concerning research and development in computer science and engineering, and (3) supply information to the AFIPS constituent societies [including the AICPA] about Federal activities and policies affecting computer science and engineering," Mr. Glaser said.

"I'm bullish about computing and about the computing industry. But it is time for introspection—as unsettling as it may be," he told the NCC audience.

IBM Continues EDP Security Study; Report Planned Soon

Two years have passed since IBM announced it was investing $40 million over a five-year period to study and develop data security techniques (see M/A, July-August, '72, pp. 6-7). At the 1974 National Computer Conference IBM announced it had completed a study that will serve as the basis for its guidelines for protecting EDP information. Copies of the six-volume 1,300 page study are scheduled to be available within the next 60 days.

Each of the security project study sites installed IBM's experimental Resource Security System (RSS), a software system designed to make their operating systems secure. At the MIT site the RSS procedure was modified so that not only a security officer was able to decide who could use or alter a set of data, but the creator of the data could also authorize others to use information in ways such as read only, copy, modify, and destroy.

Most vital in financial field

MIT researchers also surveyed EDP users in the financial, medical, service bureau, and university fields, and found that security was of more apparent importance to those in the financial field than to the other groups. Social forces, company policies, and experiences with computer fraud were cited as reasons for the financial community's increased interest in security.

Another MIT finding was that most executives, even data processing managers, believe that data security exists in their installations and, therefore, do not view it as a problem. However, those technically knowledgeable people more directly involved in the actual computer operations are aware of how serious the problems can be, MIT researchers reported.

Another IBM study site, TRW Systems, Inc., arrived at a list of 187 requirements for data security. TRW found to determine the compliance of complex operating systems with security requirements, automated aids must be used such as: module connectivity tools for analyzing the structure of an operating system and path analysis tools that measure the thoroughness of testing.

The IBM Federal Systems Center in Gaithersburg, Md., studied the problem of installing a secure operating system in an ongoing data processing operation. The Center underscored the need for special identification procedures for regularly scheduled jobs where operators or other production people (rather than the programer or end-user) had the primary, direct access to the computer. Names and code words were not found to be sufficient by the Center and it suggested better alternatives should be considered, such as comparing the time a job is submitted against an established schedule. Names of the programs running should be checked against the list of program names authorized for the job.

The fourth IBM study site, Illinois' Department of Finance, Management Information Division, produced a booklet for executives on the social implications of protecting private information. It also detailed procedures for implementing security, taking into consideration available technology, legal requirements, and necessary training of operations personnel.

Twenty-three research papers are included in the guidelines IBM is planning to release soon. The work will be distributed without charge to IBM computer customers, appropriate trade associations and industry groups, and some large university libraries. Others will be able to purchase the guidelines from their local IBM branch office. The price has not been set as of this writing, but is estimated by a company spokesman to be approximately $30-35 for the six volumes.

Small Businesses Told To Stress Variety When Hiring, Recruiting

When small businesses are hiring, they should extol the career benefits of work in their size organization, the variety of experience and early opportunity to contribute significantly, advises J. H. Cohn and Company, a Newark CPA firm, in its newsletter, *Time and Tide,* issue 21.

"Neither age nor tenure should be a deterrent to getting a job done efficiently and professionally," states the newsletter. "Hire the person for the job, not for life."

In addition, when hiring remember, "it is often faster, cheaper and safer to hire the missing expertise than to experiment with a home-grown product," the firm states.

Sources of people to fill available posts are: your own current employees, referrals from employees, ex-employees, advertising, employment agencies, and people who were previously interviewed by the company but not hired.

"In hiring a $20,000-a-year employee you are probably making a minimum investment of $10,000, as it usually takes six months to make a fair judgment on a new employee at the technical or managerial level. Spending 10-20 hours for proper interviewing and checking is a modest investment and the time required to select from among the candidates will be well spent," the firm states.

Telephone calls or personal visits to check references are better than written references, Cohn advises. Written references can be carefully worded to reveal nothing and thus need to be investigated.

Getting to know a professor at a local university whose graduates are likely candidates for your firm is a technique Cohn advises for choosing inexperienced personnel. The professor can influence students to apply and can also provide you with a deeper knowledge of the student than a limited interview can.

When hiring straight out of school, "Hire with the expectation that a probationary period (one to three years) will be needed before final placement or assignment is made. This policy eliminates the need to be precise about a specific job when hiring and gives both the firm and the applicant an opportunity to test each other. The selection, training and judgment-producing experience come later for the college recruit," according to Cohn.

AICPA Engages Texas University to Study Skills Needed in MAS

On May 23 the AICPA engaged the University of Texas to undertake a study of the body of knowledge required by a management advisory services practitioner in a CPA firm and ways to test candidates' knowledge. Over $100,000 will be spent for this 15-month project.

Responsibility for the project lies with the MAS body of knowledge and examinations task force, chaired by H. George Trentin, CPA, Arthur Andersen & Co. He reported that the task force was first brought together on December 12, 1973. It presented its prospectus for the study to the AICPA Board of Directors on February 20, gained its approval, and then on April 17 sent out a request for proposals to 14 universities and research organizations. On May 23 the University of Texas was selected as the contractor.

Four phases of work

The work is to be performed in four phases: fact finding; development of body of knowledge concepts; development of examination concepts; final report. Phase One is to be completed by September 30, 1974, Phase Two by December 31, 1974, Phase Three by May 15, 1975, and Phase Four by August 31, 1975. The AICPA has retained the option to terminate the study after completion of the first two phases.

Quality document expected

Mr. Trentin said that hopefully the study will produce a document of the quality of *Horizons for a Profession,* the AICPA publication describing the common body of knowledge for CPAs. The new study would be a kindred document for MAS practitioners, CPAs and non-CPAs alike, he explained.

Throughout the project the AICPA task force members will interact with the University of Texas research team. The task force will assist the researchers in setting up interviews with MAS practitioners and in providing them with AICPA policy information. Three non-CPA and six CPA MAS practitioners, and the executive director of the New York State Society of CPAs make up the task force.

Personnel of project

Dr. Edward L. Summers is the director of the University of Texas project. His associate director is Dr. Kenneth E. Knight. The University of Texas project policy committee is composed of Dr. George Kozmetsky, Dr. John S. McKetta, Dr. Thomas H. Williams, and Dr. Glenn A. Welsch. They will work closely with a subcommittee of the AICPA task force including Mr. Trentin, Arthur B. Toan, Jr., Price Waterhouse & Co., and Max F. Sporer, Touche Ross & Co., and, serving as an alternate, Kenneth S. Caldwell, Ernst & Ernst.

Witte Award Will be Made at Annual Meeting

The annual Lester Witte Foundation award for the best article "promoting or exemplifying the practice of management services in a small or medium-size firm" will be presented this year to Paul J. Beehler, of the Bank of America, for his article "Cash Management: Forecasting for Profit," which appeared in the July-August, 1973, issue of MANAGEMENT ADVISER. The award, a plaque and a check for $100, will be presented at the AICPA annual meeting, October 13-16, in Seattle, Wash.

For the Executive in Finance—

Meat Packing Company Uses Computer to Increase Meat Yield

Consumers say they are paying too much, cattle ranchers say they are not being paid enough, and the beef processor is in the middle. In the midst of this situation, American Beef Packers, Inc., of Omaha, is using an integrated system of an IBM 360 Model 30 and Sycor 340 intelligent terminals to maximize the yield of its cattle.

American Beef has four plants that process an average of 200 cattle an hour, or about 1,500,000 head a year.

After the cattle enter the plants and are killed, bled, and the hide and entrails removed, they are cut into sides and weighed and numbered. This data is entered into a Sycor 340 terminal via a typewriter-like keyboard. The information is stored on cassette tapes for later batch processing. Management receives reports on the weighing so that it can evaluate its buyers' judgment on cattle selection.

When the beef has been chilled overnight it usually loses one to two per cent of its weight. Consequently, an additional weighing is made and the results recorded via a terminal.

The sides are separated into those being sold as carcasses and those to be fabricated. The numbers of each type are recorded.

Those sides that are fabricated (cut into primal and subprimal pieces, trimmed, and deboned) are weighed for edible yields and this information is also stored in the terminal. Management is able to compare these yields with initial weights to take note of improper procedures (such as excessive waste or pilferage).

Truck summaries by item, box count, and weight, are produced by the terminal and printed out on a Sycor 80 cps printer. This enables warehousemen to check the manifest before the shipment goes out and lets customers and remote storage facilities check the incoming shipment.

Southern Bankers Urged To Adopt Electronic Funds Transfer System

The substructure for a national electronic funds transfer system is being formed by automatic payroll deposits, preauthorized payments, and the automated teller, the president of the American Bankers Association said May 10 at a meeting of the North Carolina Bankers Association.

Rex J. Morthland, ABA president, stated, "acceptance of EFTS will follow a pattern, with the public accepting services which are needed, supply direct benefits, run smoothly, and can easily be understood. By introducing EFTS services in a systematic manner, the public will adjust and adapt without major problems. Through this step-by-step approach, the complete package of electronic services will emerge as a natural progression," he predicted.

(The coming of EFTS was forecast at the Tenth Annual AICPA Conference on Computers and Information Systems, see page 28.)

Automatic payroll deposits

According to a recent ABA study, one of the most acceptable electronic banking services is automatic payroll deposits. Employees favor it because even if they are out of the office on pay day their checks are automatically deposited, Mr. Morthland reported. Pre-authorized payments to savings accounts, mortgages, and installment loans are other consumer services that can be handled expeditiously by electronic transfers, he stated.

"If electronic transfers loom large in the future of banks, automated tellers will provide a link between the old and new methods of furnishing bank services. They may even be an alternative to smaller branches . . ." Mr. Morthland, chairman of the board of Peoples Bank and Trust Co., Selma, Ala., stated.

Automated tellers are capable of providing cash withdrawal, deposit payment, and fund transfer services 24 hours a day. Currently more than 1,000 automated tellers are in use in the United States and the ABA predicts that by 1980 some 34,000 automated tellers and currency dispensers will be purchased.

NCR reports that since April 1, 1974 it has operated an on-line automated teller to service its employees credit unit.

Each user is given a six-digit "secret code" number that must be entered into the terminal in conjunction with a plastic card to activate the machine.

The credit union has served as a test market for the NCR 770 terminal. By the end of the third test week, the automatic teller was being used 50 times a day and loan activity had accelerated, NCR reports.

Using the automated teller, the credit union member can make deposits and withdrawals from his savings account, obtain cash advances from his credit account, make payments to his loan account, transfer funds from his savings to make loan payments, and pay his utility bills. The 770 could also enable a user to pay mortgages or other pre-authorized bills, such as for medical or dental services.

First customer deliveries are scheduled for this fall. The price of the 770 ranges from $18,000 for a terminal with only cash dispensing capability, which can be upgraded, to the complete on-line self-service terminal priced at less than $33,000.

New Products and Services—

Electronic Point-of-Sale Equipment Expected to Sell $10 Billion by 1984

Ten billion dollars' worth of electronic point-of-sale equipment will be sold to the retail sector within the next decade, reports Frost & Sullivan Inc., market researchers.

"Though the initial impact of the electronic POS development has been on the general retail department store, the trend has begun to spread to supermarkets, restaurants, service stations, hotels, entertainment locations, and wherever credit cards are accepted," the researchers observe.

The sales of central computer systems will be boosted by the addition of POS equipment. Frost & Sullivan predict over the next 10 years approximately $700 million in computer revenues will be attributed to the upgrading of computer installations to meet the needs of electronic and credit terminal systems.

According to its study the "real virgin territory" consists of supermarkets. By 1976 sales to supermarkets are projected by F&S to reach 20,000 terminals or $200,000,000 annually in sales.

By 1979 the firm expects sales of POS equipment to supermarkets will surpass that to general retail department stores as supermarket terminal volume increases to $340,000,000.

According to F&S's survey of the battle for the POS markets, NCR's popularity has "increased substantially" over Singer's since F&S's 1972 study of the market. IBM is in third place in popularity among the general retailers and second place among the supermarkets.

On April 18 Singer announced an electronic point of sale system "especially tailored to the needs of food retailers." At the center of the system is the Model 940 electronic terminal which can operate as a freestanding cash register and later be upgraded to collect and control all data required for a front end operation and a backroom management system. However, Singer does not appear to have its Universal Product Code scanners ready for sale. Grocery manufacturers are gearing up to place UPC identifying ten-digit linear bar codes on their products. The first five digits identify the manufacturer and the last five the item.

"A store-test of the Singer slot laser scanner will begin this September with production models available about the time supermarkets need them," Richard O. Baily, president of Singer's Business Machines Division, said. "It is estimated that about 50 per cent of the 18,000 items in the average supermarket will have the UPC symbol by 1975. However, it is generally conceded that a supermarket should have at least 70 per cent of its merchandise UPC coded before a full scanning system is economically justified. Most industry sources predict that this level of source marking will not be achieved until late 1976 or 1977."

Minicomputer for All School Needs Shown

The administrative and student record keeping tasks of elementary and secondary schools and small colleges can be done with minicomputer software systems recently introduced by the Hewlett-Packard Company. The systems allow the computer to be simultaneously used for instructional purposes.

H-P's three new Terminal-Oriented Administrative Data Systems (TOADS) are: the College Information System (CIS/2000) to build and maintain a student data base, register students, and process grade reports via an on-line, interactive system; the Student Information System (SIS/3000) to allow schools to establish an integrated data base on all families living in its district, distribute student grades, and maintain and report student attendance records via batch-mode or remote computing; and ADMIN/2000F to handle staff payroll and financial budget record keeping on time-sharing systems.