

An Aid to Modern Business

By ISAAC F. MARCOSSON

There was a time when personality ruled business and gave it an imperishable tradition, when vast commercial enterprises sprang from one man's efforts and generations plucked the rich fruits of his endeavors. It was the era of the business men of the old school, the forerunners of the builders of our empire of industry. Perhaps it was some shipping prince whose fleet of clipper ships touched at far-away wharves to exchange Yankee products for the treasure of the storied East; perhaps it was a merchant king who turned cheese into dollars and ruled a dusty counting-room with an iron hand; or perhaps it was some mill lord from whose myriad looms was spun the glittering fabric of a great fortune. But whether the old master of trade moved with stately mien and ponderous gait through ship, mill, or store, his business was conducted after the very simple and unwritten law and in the good old way.

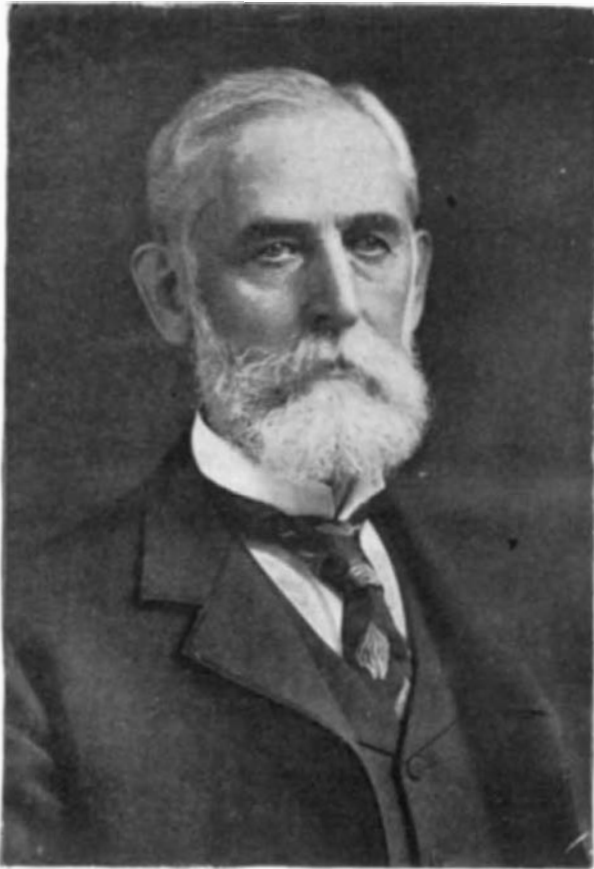
"Why bother about frills and secretaries?" said these old merchants as they made their way serenely amid the changing tides of men and affairs. Personality and integrity were the very Gibraltar upon which the unyielding structure of their fortunes were reared. There was dignity and glamor about their calling. It was a very great honor to be a great merchant. These men merged their names into the history of their times, and they turned "keen, untroubled" faces upon the dangers that hurled lesser men to their ruin. When they died, their sons succeeded them. Sons came and sons went, and old businesses seemed destined to go on forever.

But as these old merchants faded from the market-place swift changes were shaking the foundations of the *regime* that long years of fidelity had builded. A wonderful commercial expansion swept the country, uprooting all business traditions. It followed a marvelous development, the annexing of every state and country to the growing empire of business. Invention had come to the aid of business and sped it on with tingling leaps. A fleet of steel steamers succeeded every old-time clipper ship, pulsing factories rose where the ancient looms had whirled, and towering skyscrapers reared their roofs where musty warehouses had stood. Commerce followed the flag, and the nation was rushed into the thrilling race for world-trade. Fierce competition succeeded the dignified calm of the old business days, and the game was to the swift and to the quick.

But what of the character of business? Business underwent a complete evolution, and the last vestige, save honor, of the old order of things was swept away, with few exceptions. In that mighty evolution which had fairly hurled the United States far into the van of the struggle for world-commercial power the very methods of business changed. Vast volumes of trade, coupled with the many-sided phases of modern industry,

made new and exacting demands upon man's ingenuity and resource. The time had gone when one man could steer a great business through the swift eddies of competition and progress to devious paths that touched at many lands. Industries with a hundred branches; railroads that employed armies and made and unmade states; enterprises that girdled the globe,—these were the Titanic activities that man was called upon to harness.

What happened? Business became organized as never before. It became as consummate a plan of action as ever Napoleon wielded to crush the Allies of Europe. In short, business became a science that had for



UNITED STATES SENATOR JOHN F. DRYDEN, PRESIDENT, THE PRUDENTIAL INSURANCE COMPANY OF AMERICA.

its aim the elimination of failure and the complete enhancement of financial success.

The old-time business man carried much of the plan and detail of his undertakings in his head. His business developed itself, and he merely guided it. It was a tradition that certain volumes of business, like history, repeated. But with the new science of business came the business engineer. He was the concrete symbol of an era of organization and system; a business doctor who prescribed for a business that was ill and failing, who applied strenuous remedies. He laid out business campaigns as a civil engineer laid out the route of a railroad for a syndicate. The parallel was easy. On the one hand was an untilled business field ready to be broken for a golden harvest; on the other was a virgin country to be linked with bonds of steel.

What did the business engineer do? First of all, he revolutionized business methods. He showed men how to conduct their business better than they had done before. He

showed them where waste was eating up their profits; where energy was going to naught; where concentration might increase output; and how worry, that eternal menace of prosperity and health, could be vanquished. Best of all, he did away with the old-time theory that a man had to wait six months to find out how his affairs stood. "Know how you stand every day at the close of business," said the business engineer. And he proved it. He introduced systems for the use of looseleaf ledgers and card catalogues, by which a man at 5 o'clock every day knew just what his profits and his losses were.

What is the result? No more illusions about being on the sunny side of the business street when you are in reality verging on the edge of bankruptcy.

But the business engineer did more than this. He organized great industrial enterprises so that system ruled them just as the personality of the old-time business man dominated his establishment. He took a great manufacturing company, for example, that had eighty branch stores all over the United States. He made a series of charts that covered comprehensively every phase of the business. By their use the head of the great business could sit at his desk in the morning and have spread before him the very vitals of his whole vast business. He could see what every department was doing—just how the line of output paralleled the line of sale (and this was a vastly important thing to know); he could observe at a glance just what his supply of raw material was; how many men were at work, and how they did their work. In brief, he sat there with his finger on a business pulse that throbbed in every State.

But the greatest example of business system is in the conduct of The Prudential Insurance Company, of Newark, N. J., with its practically perfect plan of handling and recording the tremendous detail incidental to the operation of six and one-half million policies all in force. With every labor-saving device known to modern business invention and convenience, the company is able to minimize its expenses. For example, it has its own complete printing plant, where all the enormous amount of supplies are printed, and where the company publications, which have a circulation of 3,000,000, are published. It has actuarial machines that turn out complete records in less than a minute. This annihilation of all unnecessary expense makes possible liberal dividends for policyholders. The system of recording has been brought to its highest development by the Prudential Company. Every detail of the great insurance undertaking is concentrated and recorded, so that any detail can be referred to without the least delay, which not only means system, but proclaims economy.

Business, then, has been reduced to a

science. The man at the head of it was like a general conducting a military campaign. It was a fascinating science—instead of researchers, there were alert, eager-brained business men, searching every law of demand and supply, probing every possibility, exploring new fields of commercial conquest. In the uncertain crucibles of speculation and ambition they stirred vast enterprises into dazzling results.

Thus men built their shining structures on the vast checkerboard of business. But the grim factor Death had to be reckoned with. Man, however, had found a way to provide against the uncertainty of life, and the way was through life insurance. As business had made its mighty strides, life insurance had kept pace. As business had become reduced to an exact science, so had life insurance been perfected until its all-protecting arms sheltered a whole world. It put an infallible safeguard about the most sacred institution in the world—the home. Business men were quick to appreciate its value to them, for it became a sure and certain investment, an unerring means to economy; and the policy became a negotiable paper that was a sterling asset.

But how was life insurance to protect business as it was protecting millions of homes? The Prudential, of Newark, made it possible with a partnership policy that was destined to become an inseparable aid to business. Behind this great company was the personality of United States Senator John F. Dryden, who had founded and developed it until it became a monument of impregnable insurance protection. The joint-partnership policy was evolved upon this theory: "If men can successfully insure their lives for their families, why not insure for their partners or their business?" So the plan of partnership insurance was evolved, in which a group of men associated in business could insure themselves for each other's benefit or for the benefit of the firm, and thus guarantee the integrity of the institution.

The plan developed and put into wide and successful operation by the Prudential is as simple and economical as it is far-reaching in its beneficial effects. Brown, Smith, and Jones, for example, are engaged in business in New York. They are healthy, insurable, and their business prospers. One day Brown says to his partners:

"What would happen if one of us died suddenly?" In the midst of life, with success smiling at them from every side and the future beckoning alluringly before them, this

was not a pleasant prospect. There was a pause. Then Jones said:

"I guess there would be great confusion and no one would know where he stood."

Presently Smith remarked: "We'd have to take in another partner, I suppose."

But Brown broke in at this juncture: "I have a remedy for this contingency which is liable to come any time and when we are least prepared. Let us take out a Prudential joint-partnership insurance in favor of the business. Then things will go on all right, no matter what happens."

So they took out a Prudential partnership policy. Brown was thirty-nine years old, Smith was forty-two, and Jones was forty. Each took out a policy for \$10,000. The beneficiary for the \$30,000 of insurance was the firm. The combined annual premium was \$993.10, which was paid out of the firm's sinking fund as a legitimate expense.

What was the result? From the day those policies reposed in the firm's safe, a keener confidence pervaded the business that was like tonic to the partners. The whole foundation of the business seemed safer and surer. These men knew absolutely that no matter how suddenly death might stalk among them the business which they had reared with patient hands and hopeful hearts was immune from disintegration, which the death of one of their number might have caused.

But the insurance was not the only benefit that this group of policies bestowed. They had also the confidence and the constant satisfaction that protection afforded. There was still another. Their credit was enhanced. One day an opportunity presented itself for a business deal of considerable scope. A sum of money beyond that in hand was necessary, and since the greater part of the firm's available security was employed, the partners were in a quandary. Suddenly Jones had an inspiration.

"How about our partnership policy and the loan which the Prudential will make to us?" he exclaimed.

"Sure enough," replied the partners. It was put into the breach and was a ready security; the money was secured and the deal was consummated, the profit secured, and the loan restored.

Then one day the tragic news was flashed to the office: "Smith is dead." He had passed away suddenly in the night. In the ordinary course of events which follow such a misfortune there would have been endless confusion and a yawning gap in the business, to be instantly filled at any cost or the result to the

firm would be serious. Ready money is always necessary at such times. Long experience has taught that in these crises \$10,000 in available cash is worth more than ten times that sum at any other time, for it is sometimes difficult to convert assets, however valuable, quickly into cash. That is why so many rich men have large policies which provide ready money in just such emergencies. But in the case of Smith there was the Prudential partnership policy, which was the ready wedge ready to be driven straight into the emergency. There was a check for \$10,000 the next day; it bridged over all troubles, and permitted no menace to the integrity of the business.

But assume that the partners lived. The benefit would be just as great. Since the elusive Elixir of Life remains undiscovered, the uncertainty of earthly existence menaced these men as all other mortals. Yet the policy girded them with confidence and granted them immunity from worry. No matter what happened, they were protected. The policy, therefore, represented at all times, not only a safeguard, but an infallible asset for the realization of money and the building up of credit. If one of the partners, or all of them, retired from business, the policies could be changed so as to make the wives the beneficiaries. The protection was continuous. Thus, life insurance has taken its place as essential to the safe and systematic conduct of business—a first and last aid to the business man.

The value of life insurance remains unimpaired. When President Dryden, of the Prudential, at his own request, was summoned to appear before the Armstrong investigating committee in New York he declared on the stand, in answer to the question why his company maintained a large surplus, that it represented security,—the first and unalterable purpose of the company. As the ratio of mortality and the expense of insurance are lessened each year, so does the attitude of the company toward its policyholders become correspondingly more liberal.

We have seen how life insurance maintains the integrity of business. So does it in a larger sense preserve the unity of the American home. It makes possible those vital forces that provide the bone and sinew of our national life. Viewed in the light of our civilization, it has taken a high and unimpeachable place in the destiny of the nation. For in the perfect security of the people lies the real hope and safeguard of the democracy.

