

Handbook for Management

Reviewed by STANLEY SINCLAIR

BEHIND THE SCENES OF BUSINESS. By Roy A. Foulke. Dun & Bradstreet, New York, Revised edition 1952. 194 pp.

In taking us *Behind the Scenes of Business*, Roy A. Foulke, a vice president of Dun & Bradstreet, first enunciated and illustrated fundamental business ratios in 1935 when this handbook for business management was originally published.

This latest edition, released this spring, is the fourth revision and represents the ninth printing of this work, bringing the total number of copies to 133,000—a "best seller" on any list.

Mr. Foulke is perhaps the best informed practical economist of our day. By "practical economist" this reviewer means one who brings the hard facts of business accounting to sound economic theory.

As in previous editions, the book is divided into three sections:

In the first, *The Setting*, the author discusses management's prime problems and concludes with a dissertation on the importance of sound policies.

Useful Statistics

The second, *Review of Financial Standards*, is given over to explanations, buttressed with case histories, of 12 ratios found by long experience to be guideposts of sound management. A listing of these ratios would seem worthwhile: the first three are the amount of fixed assets, current debt and funded debt relative to an enterprise's tangible net worth. The second three deal with the relationship between sales, working capital and funded debt to inventory. The next are concerned with sales: the average collection period, and the comparison of net sales to working capital and to net worth. The last series deals with net profits as compared with net sales, net worth and net working capital.

An appendix contains the up to date five-year averages of 14 important ratios for 70 lines of business which have become widely used by credit men since their introduction by the publishers in 1932. The current edition takes into account the minor changes to which these financial signposts have been subject as a result of problems of the war and postwar years. The appendix also contains the failure record for the country, and the terms of sales most fre-

quently used in 87 lines of industry and commerce.

Part three, *The Changing Times*, is perhaps of greatest interest to the theoretical economist. Mr. Foulke discusses the many intangible factors to which management, and hence the entire economy, are subject. A chapter on the *Relativity of the Moral Hazard* has

been added. Here is analyzed the influence of a progressively adverse financial condition of a business on the moral stamina of individuals in management, and how at times of great pressure, it may occasionally result in a breakdown of character.

It should not surprise readers of the News that Mr. Foulke gives considerable weight to speculation in land values.

To the searcher after understanding, the last chapter, *Prepare for Tomorrow*, will be particularly rewarding. The author is too intelligent and practical to engage in crystal gazing. The reader will look in vain for any prediction of the day, month or year in which he may expect the next depression to strike.

Mr. Foulke has this to say on that subject:

In the midst of high business activity, however, the practical businessman knows one thing from experience, and that is that another depression is coming . . . The next, depression, like prosperity was for so many years, is now around the corner.

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Fundamental mistakes, the author warns, "are made in the years preceding a depression, rarely during a depression, but the results of these tactical errors in pecuniary judgment show up during the depression. It is toward the avoidance of these errors that this excellent little volume is directed.

It should, therefore, in this reviewer's opinion, always be at the elbow of anyone charged with the responsibility of business management. The degree to which its pages are well-thumbed may be the direct ratio of that business' success.



Roy A. Foulke