



Alfred P. Sloan, Jr.

# "GETTING the FACTS" is Keystone of General Motors' Success

By Alfred P. Sloan, Jr.\*

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**T**HERE is a very fundamental principle, the importance of which I am continually trying to impress upon our direct organization as well as our dealers; viz.: Get the Facts.

I would like to tell you

some of the things we do in General Motors to get the facts:—

First, let me tell you about what we call our field trips. It may surprise you to know that I personally have visited, with many of my associates, practically every city in the United States from the Atlantic to the Pacific and from the Gulf of Mexico to the Canadian border. In these trips I visit from five to ten dealers per day. I meet them in their own places of business, talk with them across their own desks and solicit from them suggestions and criticisms as to their relations with the corporation; the character of the product; the corporation's policies; the trend of the consumer demand; their viewpoint as to the future, and many other things that such a contact makes possible. I solicit criticism of anything and everything.

I make careful notes of all the points that come up that are worth while and when I get back home I study and develop these points and capitalize them so far as possible. The reason for all this is, that irrespective of how efficient our contact through our regular organizations may be, our men in the field are charged with doing specific things and that takes all their time and effort. I go out from the standpoint of general policies and get the facts in a very personal way without the intermediary of an organization which is apt to overlook the most important points and inject their own personal viewpoint on such points as they do get. I believe that this work that we have done has contributed much more than any of us appreciate, to the progress that General Motors has made.

Our research laboratories are no different from our field trips in principle. We are searching for the facts

that we may know more about the fundamentals and be able to add value to the performance and effectiveness of our products, just the same as in the field work we are trying to learn more about the distribution of our products. We send representatives abroad to study foreign methods and foreign cars. We have an engineering office in London with representatives in the other countries to keep us advised at all times as to what progress there may be along European lines that General Motors can capitalize. Again, we are seeking the facts.

The Proving Ground is also dedicated to the principle of getting the facts. As you see, we not only operate our own cars, but all competitive cars, both those made at home and abroad. We are seeking the facts about all these cars to the end that General Motors cars are better cars. We are seeking in our sales activity here at the proving ground to impress upon our dealers the facts about our cars so that they may more intelligently present the facts to the consumer.

I want to outline to you what I believe to be a great weakness in the automotive industry today and what General Motors is trying to do to correct that weakness.

I have stated frankly to General Motors dealers, in almost every city in the United States, that I was deeply concerned with the fact that many of them, even those that were carrying on in a reasonably efficient manner, were not making the return on their capital that they should. Right here let me say that so far as General Motors dealers are concerned, from what facts I have—I realize there has been much improvement during the past two or three years, but interested as the management of General Motors must be in every step, from the raw material to the ultimate consumer, and recognizing that this chain of circumstances is no stronger than its weakest link—I feel a great deal of uncertainty as to the operating position of our dealer organization as a whole. I hope that this feeling of uncertainty is unwarranted. I am sure that with a responsibility so great, all elements of uncertainty must be eliminated and that our dealers should know the facts about their operating position as clearly and as scientifically as we feel that we know the facts about General Motors operating position.

This brings us to *proper accounting*. Many of our dealers, and the same thing applies to dealers of other organizations, have good accounting systems. Many of them have indifferent ones and I regret to say that too large a percentage of them have practically no accounting system at all. Many of those who have accounting systems, through lack of their being properly developed, are not able to effectively use them. In other

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words, they are not so developed that they give the dealer the facts about his business; where the leaks are; what he should do to improve his position. As I said before, uncertainty must be eliminated. Uncertainty and efficiency are as far apart as the North Pole is from the South. If I could wave a magic wand over our dealer organization, with the result that every dealer could have a proper accounting system, could know the facts about his business and could intelligently deal with the many details incident to his business in an intelligent manner as a result thereof, I would be willing to pay for that accomplishment an enormous sum and I would be fully justified in doing so. It would be the best investment General Motors ever made.

We consider our dealers partners in our business. It is true they operate on their own account, but they are, nevertheless, partners in the sense that their prosperity is linked up with our prosperity and all good partners should recognize the necessities of each other and should cooperate so that all weaknesses can be eliminated. This is exactly what General Motors is doing in this connection.

We have organized a subsidiary whose sole functions will be to establish proper accounting systems wherever desired by our dealers. We will audit such accounts periodically in order that our dealers may have the assurance that their records are properly established and that the facts that come to them are facts rather than fiction. We feel that with the great amount of specific knowledge we have, involving all phases of the automotive business, and with an organization that specializes in this particular branch of accounting, with nothing else to think of, that we can, through evolution and with the cooperation of our dealers, place before them facts and figures that will indicate to them very clearly what they should do and what they should not do.

I do not think there is anything that will contribute more to our complete stabilization than an accomplishment of this kind. I do not think there is anything that will establish greater confidence in the minds of the banking interests whose cooperation we must have in carrying on. Some time ago I saw it stated, and I believe it is absolutely correct, that if business, using that term in its broadest sense, was equipped with proper accounting, a very large percentage of the failures and losses incident to same, could be eliminated. We hope to be able, in due course of time, to place before our dealers "bogeys" I might say, showing the proper relationship of each expense item to the business as a whole with the result that if a dealer will conduct his affairs along the lines that we can ultimately outline to him, he will, in a sense, take the straight and direct course to a reasonable and fair profit.

I have told my associates time and time again, that with this program of ours accomplished to the degree that I am hopeful that it can be accomplished, that it will be the greatest achievement of General Motors.

A few words about our organization itself. We operate on the principle of what I might term a "decentralized organization," I mean by that, each one of our operations is self-contained, is headed up by an executive who has full authority and is responsible for his individual operation. We, naturally, think that this is the best scheme of organization or we would not adopt it. Our responsibilities are so great, the necessity of quick action and prompt decision is so great and contributes so much increased efficiency and effectiveness that it is about the only way a business of magnitude of General Motors could be conducted. It also, I think, has the very great advantage of developing executive ability

and initiative on the part of a greater number of individuals.

Each member of our organization appreciates what is absolutely true—that he has a real function to perform and that upon their initiative, their industry and the constructiveness of their decisions as a whole, depends the success of the institution as a whole. Co-ordination is effected through what we call Inter-Divisional Relations Committees where those interested in the same functions of the important divisions meet together and discuss their own problems as well as the same problems from the standpoint of corporation policy. For instance, our Purchasing Agents meet together in the form of a General Purchasing Committee, presided over by a Vice President of the Corporation. If it is found that one or more of the Divisions can profit by purchasing as one unit, then we purchase as General Motors and all profit. If it is found that there is nothing gained, we do not do so. In that event the purchase is by the individual operations as their judgment may determine. In that way we get individual initiative and at the same time we do not overlook anything from the Corporation standpoint.

In addition to this, the Corporation maintains an organization in Detroit as an advisory service for the benefit of all. The Research activity acts in a consulting capacity for the Engineering Departments of all the divisions, and in addition to this, is constantly searching for new principles and ideas of a more fundamental and scientific character than would be possible for any of the individual Engineering Departments, which must be more concerned with immediate production problems.

Legal and patent problems, as well as accounting and financial control, are handled in a similar manner.

Speaking of General Motors' position in the industry, I am reminded of the fact that many of our newspapers and magazines seem to be devoting more or less space to a discussion of the relative position of General Motors and Ford as important factors in the automotive industry, their present relation and their future relation.

Now, I have tried to consider the question from all sides, and it seems to me it is not such a complicated problem as it is made out to be. If the past is any indication of the future, the new Ford car will be a car that will appeal to a great mass of people. Naturally, that car must meet present conditions, but the basic idea is likely to be the same. General Motors is in quite a different position. General Motors' idea is to make a car of greater luxury than the Ford—a car that properly belongs to the next higher price class. With every price car there is a definite market.

This applies to the Cadillac as well as it does the Ford. Any manufacturer that will give to the public a definite number of dollars' worth of value and do it constructively and honestly, will get a certain proportion of the market that belongs to that number of dollars. It is purely a question of giving the public honest value.

There is plenty of opportunity in the world today for Mr. Ford to give the public honest value, which of course he will do, with the result that he will sell an enormous number of cars per year, and there is an equal opportunity for General Motors to give the public honest value at a higher price and, likewise, sell a very large number of cars per year. To make a long story short, it seems to me that both Ford and General Motors are governed by the same economic principle, viz., to give the greatest possible value in their respective price classes. There is absolutely no reason why General Motors cannot today give a greater per dollar value than anyone in the world. That is why I say, upon analysis, the problem does not look so complicated.