IS COMMERCIAL INTEGRITY INCREASING?

This article consists, with only slight changes, of two letters written in reply to some questions addressed by a clergyman to a number of business men in St. Louis a few years ago. The following questions were submitted:—

1. Are the principles which underlie present business methods opposed to the principles of Christianity, so that one cannot succeed, by doing to others as he would have others do to him?

2. Is it true, that to succeed in business men must commit sin?

3. If so, what sins? Must they deceive? Must they blunt the fine edge of honesty in any way? Must they disregard Sunday?

4. Ought the pulpit to try to elevate the standards of trade?

To the first three questions I answer, most emphatically, No! To the fourth question I reply, yes; if the clergy, after a careful investigation and study of the subject, conscientiously believe that other forces are not at work which tend to constantly elevate the standards of trade, and that their efforts in other ways will not indirectly be productive of more good.

My reasons for these conclusions are based on a business experience of over thirty years, which convinces me, beyond a shadow of a doubt, that during this period great progress has been made in elevating the methods of trade; that the standard of commercial honesty and business integrity of the man of mercantile affairs of to-day is far higher than ever before, and that matters have so shaped themselves that much success in business cannot be attained by any other means than by the strictest adherence to the principles of honor and equity.

The tendency of the times is and has been for many years past towards the centralization of business. Whether this is for the good of the community at large is at present a much-discussed question, my own belief being that it is the working out of an economic law which advanced civilization makes necessary, and that time will demonstrate that it is for the best
interests of all both from the economic and moral standpoint. As a consequence of this tendency, the mercantile and manufacturing houses and banking institutions of to-day are of greater magnitude than those of a quarter of a century ago. One who has seen day by day the changes which have created present conditions in business, should be able to draw comparisons to prove his conclusions. As I am engaged in the mercantile business, I shall take chiefly that line for my comparison, although what I may say applies with equal force to manufacturing and other lines.

It is a common belief among those who have not investigated the subject that, as business has become more aggressive and profits greatly lessened, proprietors have, to a great degree, ignored the golden rule—"Do unto others as you would have others do unto you," and equalized a severe per cent. of loss in profits by great reductions in salaries, and by demanding the performance of more work on the part of the employés. This belief is erroneous, for we are to-day, with some few exceptions of minor importance, paying substantially the same salaries for the same services that we did twenty-five to thirty years ago, while the purchasing power of money is two or three times greater, and the hours for work are less.

If no material reduction of salaries has taken place, if the working hours are less, and if it now takes three times the quantity of goods to equal the same amount in dollars and cents that it did formerly, greatly increasing the expense of conducting business while our per cent. of gross profit has been more than cut in half, the question naturally arises: How have we survived and continued to make our business profitable? Simply by the adoption of the most economic methods, and by a very large expansion of business which is only possible by inspiring confidence. And confidence cannot be maintained excepting by universally upright dealings. There is no man possessed of sufficient brains to make a permanent success of business by a departure from these lines, unless he has a monopoly, and monopolies are few and far between.

In former years, when the average house did a small business and when competition was not as great as it is now, there was
an opportunity for deceit and disreputable methods to be to some extent temporarily successful. There were few trade papers giving quotations and it was exceedingly difficult for a purchaser to keep thoroughly posted, which made impositions, in the way of excessive prices for goods, possible. As a natural consequence there was irregularity, and customers of the same class could be charged different prices and those prices kept track of. The very large profits obtained were an invitation for deceit in defending them. The retail stores pursued the same practice: they charged what they could get, and the favored clerk was the one who could, by the smoothness of his tongue, get the most exorbitant prices. These conditions have all changed and can never prevail again. This is proved by the fact that the largest concerns and the ones most favorably situated and best organized are content to make two and a half to three and a half per cent. net on sales, and from five to seven and a half per cent. on their capital.

When organization was not as good as it is now, it was customary for business firms, during the busy season, to work their employés nights. This hardly ever occurs nowadays, and Sunday work, on the part of employés or employers, is rarely heard of. We have demonstrated in the past, in our own establishment, that night work, except on very unusual occasions, does not pay. Our records in various departments have proven that the gain made was more than lost by poorer service subsequently, due to over-fatigue. The laws of nature cannot be ignored without the payment of a penalty, and any man or set of men who disregard these laws, which make necessary a rest of one day in seven, in the long run injure their business instead of advancing it. Independent of any moral side of the subject, Sunday work is a mistake.

As the traveling salesmen are the mouthpieces of the houses they represent, they reflect the character of their principals, and it is right that in a general way their employers should be judged by them. I know of nothing in connection with business that so positively demonstrates its moral improvement as the change that has taken place in this class of employés. Formerly many, I think I may say most, firms expected them
to be more or less convivial with customers; they were given
great license in their expense accounts; they were not measured
by their direct results, and, as a consequence, they were more or
less disreputable. At the present time I am proud of our sales-
men; they are an honorable, intelligent, dignified set of men.
They cannot be otherwise and retain their positions. They are
given a small route, in the central portion of which they select
as large a town as possible for their home and headquarters,
from which, as a rule, they go forth every Monday morning,
spending their Saturdays and Sundays at home. In this way
they are not deprived of restraining home influences, as was the
case when the routes were large. Few salesmen now have a
larger territory than they can cover about every three weeks.
They not only have to be intelligent and thoroughly posted on
the goods they sell, but on competitive goods sold by others as
well; and moreover, they have to be informed in regard to the
peculiar wants of their respective routes. The up-to-date sales-
man is an authority on goods, and to a great extent a counsellor
and adviser to his customers. As he is coming in constant con-
tact with them, they know him for what he is. Having a small
route from which he is expected to achieve certain results and
by which he is measured for his salary, he strives to retain all
his trade. This he can only do by selling customers such goods
as he knows they can sell, any hard stock on their shelves
bought from him being a constant advertisement against him.
He must be strictly truthful and straightforward, for any dere-
liction on his part shatters confidence, which is fatal to a con-
tinuance of business relations. He realizes, as few others do,
that the first deception or resort to subterfuge with his cus-
tomers is the fatal mistake that cannot be overcome. When
routes were larger he could lose the trade of one party and
equalize it by making a new customer somewhere else in the
wide field he covered.

We have had a very large experience in employing new sales-
men, and while this experience has taught us a great deal and
enabled us to understand the many qualifications which are
necessary for their success, we are by no means infallible in our
judgment of them, for the reason that we cannot always tell
whether they are straightforward. To be successful, a man must be intelligent, persevering, possessed of tact, and, above all things, the embodiment of honor. It sometimes happens that we give a position to a man to represent us on the road, who is thoroughly well informed in our business, who is gentlemanly in his manner and bearing, exceedingly magnetic, combats all arguments well, and we make up our minds that in him we have a treasure. He starts out on his route and is a phenomenal success. Later on we have complaints from our customers in reference to the orders he has taken; we find that he resorts to subterfuges and artifices, that he stuffs orders, etc., and not being able to correct him, he ultimately loses his position. In other words, he has all the qualities in his make-up for a good salesman, with the exception of the one that is the most essential and important of all—namely, the ingredient of honor.

As I have already indicated, the chances for taking advantage of customers are very much less now than was the case twenty-five or thirty years ago; yet opportunities are not altogether lacking. Our own line of goods happens to be an exceedingly complicated one. From time to time there are parties starting in the business who, in the very nature of things, cannot be well informed; yet the best houses make it a practice not only not to take advantage of them, but to do them the fullest measure of justice within their power. We ourselves would rather sell stock to a new party than dispose of ten times the amount of goods in other ways, for we believe that if that party bestows on us his confidence and we do not betray it in any way, he will undoubtly appreciate the fact later on in his business career, when he is better educated in the goods, and the continuance of his trade will be reasonably sure to follow.

If salesmen have improved (and of this there is no doubt) it is not because men of that class, independent of their connection with their houses, would naturally have done so, but because their principals exact a certain standard which they must live up to and follow. In large houses it is customary to send to the salesmen general letters from day to day, giving changes in prices, information in relation to goods, and instructions for their guidance. The matter for such letters is arranged and
written by heads of departments as well as principals. In our own establishment, in order that there may never be given to the salesmen any misinformation whatever, it is made the duty of one of the chief officers to audit these letters before they are permitted to be printed.

There is nothing more necessary to success in a large wholesale house than to have the active support and cooperation of its employés. This cannot be obtained unless they positively believe that every statement made to them by their principals is absolutely true. If one departure is made, there is no reason in their minds why other information should not be of the same character. It is not only necessary to prevent misstatements in order to achieve the best results, but it is also necessary for the customer. Large houses that have a trade in various sections, accomplish this by putting in their catalogues "Not recommended" against certain qualities of goods. In some places cheap goods which fill the requirements of purchasers are bought knowingly. These would not be serviceable or desirable goods for customers in other localities. It is necessary to keep a complete stock of various kinds and qualities of merchandise in order to meet the requirements of all classes of trade. Yet the best houses, believing that there is the best value given in the highest grades of goods, push them, and sell the poorer qualities under protest.

There is a prevailing impression that the shrewdest buyers are often the most deceitful persons. As I happen to be in charge of the buying department, I am prepared to contradict this, and to prove that such impressions are false. In fact, no buyer can be successful for any length of time and in any way resort to deceit or misstatements. There are few departments in a house wherein there exists such absolute necessity for straightforward dealings. Manufacturers selling goods in large quantities make their prices confidential as a rule, and while a temporary benefit may be accomplished by a betrayal of prices, on the part of the buyer—that is, by giving the quotations of one manufacturer to a competing one, as a leverage to obtain lower prices from him—the benefit is never lasting. Men of experience in business are not so unsophisticated as to believe
that favors, said to be extended to them exclusively, are denied to others; if prices are betrayed to them, their own in turn will be made use of in a similar way to others. Suspicion is at once created, which in itself prevents a buyer from obtaining what he is entitled to, from a fear, on the part of the seller, of creating a demoralization in prices.

Every buyer with us understands that in purchasing goods he must be strictly fair and just to all. He must, regardless of personal preferences, place his orders with firms which have earned them by their quotations, even though the per cent. of difference in price be slight. His statements must be accurate and truthful; he must never betray the confidence of manufacturers.

If a business of any magnitude is worth conducting, it is worth perpetuating, and it cannot be perpetuated except by the selection of the best and most efficient men obtainable to take charge of the important departments in it. These men, who are expecting at some future time to occupy still more important positions, understand full well that they must carry out the policy of the house, and if the policy of the house is honorable they must rigidly adhere to it. The young men who are employed from time to time are acute of observation and are not slow to recognize this, and they naturally emulate the example of those who are over them.

In all departments there is an education in politeness, patience, tact, tolerance and forbearance, which are not only absolutely necessary for a business life, but good qualities for the home as well. Such environments sharpen the sense of honor and quicken the perception of justice and equity. A man may err in his home life, commit all kinds of abuses and excesses, and have his offences condoned on account of family pride. But the laws of trade are inexorable; they are unrelenting and unforgiving, and every mistake, every disreputable or dishonorable act, directly or indirectly, entails pecuniary loss.

I do not mean to imply that business is altogether pure in its operations, for such is not the case; but in a general way the methods are good, and in my opinion will not only remain so but will continue to improve. There are parties engaged in
business who, in order to obtain orders, will give commissions to buyers; and the moral perceptions of some are so opaque that they cannot see that there is little distinction between this and disobeying the Eighth Commandment. This kind of business can only be done in a limited way, because, as a rule, the purchases that are made are by parties who buy for themselves. When such is not the case there is a temptation and an opportunity for fraud, and in consequence the contracting business, the railroad business and the government business are more or less tainted with it.

Extreme pains to prevent fraud often lead to it. The government, in some of its transactions, affords an excellent example of this. At certain seasons of the year a description of the goods that are wanted for various places throughout the country is published in pamphlet form and distributed very generally for the purpose of inviting parties to make bids. The detail necessary for this work is very great. The government requires that for every item bid on (excepting the most standard goods, which are specific in their nature) there must be a sample submitted. And when the contract is awarded to a firm, said samples are given to an inspector, who must see that the goods are exactly the same as samples submitted and is expected to see them packed and shipped. All bills must be made out in multifold, to send to different parties for the purpose of the detection of anything that may be wrong in connection with the transaction. Business firms that have bid on these requisitions and received orders for the goods have at times been put to unusual inconvenience and in consequence have met with considerable loss. Inasmuch as all goods have to be held subject to inspection, it is necessary to lay out on floors all those not in original cases. It has transpired in some instances that this space, which is valuable and often necessary for the general operation of business, has been occupied in this way for a period of two months or more, awaiting the uncertain arrival of the inspector. Inspectors, who are not always all they should be in point of integrity, are prone to deal in technicalities and decline to receive goods, regardless of the fact that they are exactly the same as the ones that have been bid for, and, in a very
manifest way, invite fees for their service to the bidders and lack of service to the government. The best firms find that they are better off without this kind of business, and the consequence is that few parties care to have anything to do with it, and the government pays a very high price for the goods it buys—quality considered.

The railroad business is, in a certain way, conducted on similar lines; that is, the railroad companies make up their requisitions from month to month and invite all parties who are in position to supply goods to make bids, and there is no doubt that the "greasing of palms" is an easy way to make money out of such business. As in the case of government bids, the goods do not go to the parties who are to own them. In the case of the government they go to the various agents, who have no direct interest in them. In the case of the railroads, the goods are shipped to their various machine shops and store rooms.

These abuses have prevailed in the past to a very much greater extent than at present, because large corporations like railroads have found that their best interests were served by having in their various buying departments men in whom they could place implicit confidence and paying them the necessary salaries to hold them there. In other words, they give them power and measure them by the results they achieve, thus recognizing the fact that the detail necessary to prevent fraud is not only expensive, but defeats the very object it is intended to accomplish. As a consequence the purchasing agents of railroads to-day, as a rule, are men of a very high standard of integrity.

People have said to me quite often that they supposed that an establishment like ours had a system of operation that would make it almost impossible for an employé to defraud us. While we aim to be a very systematic and well organized house, I must candidly admit that there are quite a number of employés who, if they so elected, could defraud us. They have been given certain positions because we believed them to be men of undoubted honor and integrity in whom we could place the most implicit confidence. We are glad to say
that, with a trifling exception or two, in all our business history we have not found that our confidence has been misplaced. We know full well by our business experience that if we adopted the methods in operation in government matters, we could not accomplish what we are now able to do. There may be extremes in both directions; that is, a system so loose in its operation as to positively invite fraud, and another so complicated as to make business expensive, and to give a certain class of employes the feeling that confidence is placed in the system, rather than in themselves.

We find that in order to prevent fraud, less and less latitude has been given by the municipal government to the highest officers, and more and more plans have been put in operation to prevent leakage, pilfering, etc. But there is a growing belief among the best thinkers of the country that we have gone to extremes in that direction, and that the best interests of all will be conserved by conducting the affairs of the municipality more on the lines of those adopted by some of the largest and best organized houses—notably, by giving the mayor and other officers more latitude and holding them responsible.

Anti-Trust laws and various other laws are being passed quite generally in many States which contain some few good clauses and many pernicious ones. These laws are usually urged by political demagogues to cater to a sentimentality on the part of an ignorant constituency and not for any good reason. They hamper trade in various ways. They are expected to be dead letters in some cases, and they are more or less evaded and always will be.

Municipal legislation is often so corrupt that many a man who earnestly wants to do right indirectly bribes his way for perhaps the privilege of a switch, rather than have his business held up indefinitely. His conscience is palliated by the feeling that his highest duty is to his family or his stockholders, many of whom may be widows and orphans. I do not attempt to defend such actions—there is no moral defence. I am simply showing that the chief occasions for disreputable acts in business houses are largely outside of regular business channels.
Great license is undoubtedly taken by many business men in giving in taxes. In this and other matters a business man is expected to have, in addition to his real conscience, a commercial one. This I confess is bad. The operation of a commercial conscience in such matters lowers one's moral standing.

Some existing business conditions do tend to destroy a fine sense of honor, and to neutralize the effect of other agencies for good. This class of business, however, is, as a rule, avoided by the large business houses.

Among the bankers, whom some politicians have denounced in the most unmitigated terms, we find high examples of integrity and honor. The small bankers or usurers of former years have been succeeded by men of the highest standards who can be trusted. They have advanced while statesmen appear to have degenerated into political demagogues.

The farmer has been mistakenly held up as the best example of honor. His environments are such that he does not come in touch with the public and have the same opportunity for moral advancement as other classes. Mechanics and other skilled workmen are recognized generally by men who understand such matters as being very much superior to the farmer in moral perception.

From what I have said it may be inferred that business men are honest because it pays to be honest. Well, it does pay to be honest and we cannot gainsay the fact. Yet a business man, if he is built on the right plan, sees the eternal fitness of things and recognizes those higher laws which he may not profess to define but nevertheless firmly believes in. His environment and training do not blunt but on the contrary keenly sharpen his perception of right and wrong, and he must transact his business in accordance with it, in order to maintain his self-respect. He is impelled to deal correctly and to be honest, solely because it is right to do so, which from my point of view is the highest motive that can actuate a man.

I have heard the statement made that mercantile training engenders mercenary motives, that it makes the general aim in life of a business man mere money-getting. My experience among business men with whom I associate is a positive and absolute refutation of this statement.
It remains to consider the point of view of a man who says—

"That the principles which underlie the present business methods are opposed to the principle, 'Do unto others as ye would that they should do unto you,' is proven by the saying—and a true one—that 'competition is the life of trade.'"

"The golden rule is the spirit of cooperation, while competition must and does in fact tend to annihilate all spirit of cooperation."

"Competition in one way or another, either towards competitors or else towards employés, tends to prevent the practice of the golden rule."

I take direct issue with these statements. Competition stands for advancement and civilization, and instead of opposing cooperation and ignoring the teachings of the golden rule, it fosters both and makes it necessary in business affairs to put them into operation to achieve satisfactory results.

I have tried to show that during the past generation, a period far more intense in commercial competition than any in our history, the working hours of employés have grown shorter and wages have remained the same while their purchasing power has become much greater. It may be argued that employés should receive more fruits of their labor. But if they received all the fruits of their earnings, it would mean only a small advance per capita. We do not employ anyone for a given length of time. We do not even have contracts to that effect with our traveling salesmen. We hold that no one can do us justice who becomes dissatisfied, and it is better for us and better for him to leave whenever he sees fit. Further than that, if an employé is offered a larger salary, a better opportunity for advancement, it is his duty to take advantage of it and we should not stand in his way.

During the past twenty-five years a great many of our employés have left us and started in business for themselves, among them many whose services were valuable and with whom we regretted to part; yet, singular as it may seem, with the exception of one who has not been in business long enough to demonstrate what he can accomplish, not one has been successful. In fact, they have all given up their undertakings and
gravitated back to clerical positions. Of all the employés who have voluntarily left us, eighty-five to ninety per cent. have made applications to return.

Men are not endowed equally, and ability of any quality will seek its level. Does it not follow that the golden rule is being practiced by the successful business houses in holding their employés up to the maximum level of their abilities? We must deal with conditions and recognize facts, and facts prove that about ninety-five per cent. of business men fail to succeed, and only five per cent. of the whole have sufficient "all round" business ability to sustain themselves independently. Severe competition has forced the large business concerns to be coöperative in their methods. The modern establishment is so coöperative in its workings that most successful business men must frankly admit that their success has been due to it.

Statistics show that the best-organized and most favorably located manufacturing and mercantile institutions do not make over two and a half to three and a half per cent. on sales. Even if they give their customers goods at cost, they would not benefit them much in a pecuniary way. This would be carrying out the golden rule in a way not pleasant to contemplate, and would lead to disastrous results.

If a straightforward customer becomes involved, we endeavor to assist him as far as we can consistently. If a firm meets with adversity and makes an honest failure, it is almost the universal custom for mercantile creditors to say—"Pay what you feel you are able to. Attempt no more." This is the golden rule in a more beautiful form.

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