

### What Budgetary Control Can Do

What can be accomplished through budgetary control may be summarized briefly as follows:

(1) Budgeting substitutes definite facts and figures for guesswork and intelligent planning for blindfold fumbling.

(2) It employs and enforces cooperation.

(3) It serves to materialize contemplated actions in such a way that the probable results are known before the actions themselves are set in motion.

(4) It helps to restrain unwise expansion.

(5) It provides a unified plan of operation—a financial working plan which, as every executive knows, is of the utmost value to any enterprise.

Many cooperatives consider themselves to be operating on a budget. In almost every case the budget is an estimate of total expenses for the coming period presented either by the chief executive, or by the board, approved and put into the minutes. This is the only use made of their budget. Such action is a long way from budgetary control, because if an association is really operating under such a system in a way to make it of any value, it is essential to check up every month.

In establishing a budgetary control system it is imperative to know approximately what is to be done, who is going to do it, and how it is to be done. In other words, there must be a definite, concrete plan of organization, something that is absent in most businesses. From the manager down to the least important helper, there must be a clearly understood, positive line of responsibility and authority. It is impossible to formulate a budget, or to operate satisfactorily on a budget, without having a definite form of organization understood by everyone in the concern. Once a budget system is under way, the results must be checked at every turn. Budgetary control, more than any method yet evolved, will improve the efficiency of management and reduce waste effort and useless expenditures, because it enforces the development of carefully thought-out plans to meet situations as they arise.

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**C**OOPERATIVES Consider the Possibilities of Joint-Selling Plans Seasonal marketing is present to a large extent in the cases of most agricultural commodities, particularly those of perishable or semi-perishable nature. Cooperative managements are confronted by the problem of maintaining economically an all-year organization for the sale of products whose marketing is essentially seasonal in character. Reducing the number of employees in the sales organization or disbanding it when the commodity is moving in small quantities has distinct disadvantages, as trained personnel can not usually be found on short notice or developed immediately when the need arises. As a result many cooperatives have found it advisable to keep their sales organization intact throughout the year or to retain at least the more important members of its personnel during the slack season.

Cooperative managements are considering the possibility of using a sales organization jointly with other cooperative associations. The

department has recently completed a study of a joint sales arrangement between two cooperative associations which has been in successful operation for a period exceeding 25 years. One of the associations, for the sale of its product, has the use of the salaried sales organization which is maintained by the other association for the sale of its product, so that the arrangement is not one of complete joint control and joint sharing of maintenance expense. Each association does, however, have complete control of the sales organization in so far as the sale of its own product is involved. In each case the commodities handled are of highly perishable nature with slight exception, so that once the products are ready for market there must be no delay in their movement into consumers' hands.

### Factors in Joint Operations

In this study certain factors were indicated which will be of material importance in the successful operation of similar sales arrangements. (1) The commodities of both associations should be sold to the same distributors, thus eliminating the necessity for the development of two distinct groups of customers and bringing about more frequent contact with trade members. (2) The possibilities of friction, resulting from disagreements with customers, which might arise from the sale of the products of two associations may be reduced through the employment by both associations of the highest standards of grading and packing. (3) A high degree of cooperation should exist between the two association managements so that the interests of the shipper members of both associations will be protected. Such a joint-sales arrangement requires an ability and a willingness on the part of each management to evaluate its own contemplated action not only with relation to the interests of its own shippers, but also in the light of the interests of the shippers of the other association. (4) A thorough understanding by the members of each association of the general principles and effects of the joint-sales arrangement is required to avoid misunderstanding of the intent and operation of the joint arrangement. (5) The relations of the sales personnel to each association should be definitely prescribed and understood. (6) In so far as possible the customers should be made acquainted with the separate identity of each association so that transactions and policies of each association may be attributed to the proper source. Thus an unfavorable reaction toward one association need not influence customers against the products of the other association. (7) There should be an equitable distribution of the annual joint cost of maintenance between the associations using the sales organization.

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**C**OOPERATIVES Find Membership Problem Has Complex Phases Cooperative marketing associations have developed rapidly during the last 15 years and have made marked improvements in marketing services and methods. During the early years of their existence, before methods and trade connections were fully established, they encountered many marketing problems. Managers of ability soon saw a remedy in the application of the sound business principles that had been devel-