



# THE ROYAL BANK OF CANADA

## MONTHLY LETTER

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### *About being Business-like*

THE TERM "BUSINESS-LIKE" is one of the most expressive in general use. It is a compliment when applied to manufacturing, trade and commerce, to the administration of our social institutions, and to an individual's handling of family and personal affairs. It includes many attributes such as reliability, integrity, efficiency and a sense of values.

Business is the supplying of things that have utility, that meet the needs of people. It is the art of production and exchange which through the ages has contributed to human comfort.

Business may consist of making goods and selling them, purchasing goods and selling them, or providing services for which the users pay. The goals of people in business include profit and growth. Business is of advantage to seller and buyer, to producer and distributor and to the consumer. It provides employment and contributes to social welfare.

The word "business" implies a financial statement in which the two most important words are "profit" and "loss". If it is to attract investment capital the enterprise must be capable of making profit. Earning profit is more than an incident indicating successful management: it is an essential condition of success.

Every business has an option: to be routine or to be special. The excellence that makes a business stand out from others is derived from clear judgment, applied experience, superior capability and a touch of artistry.

Success is not to be measured solely by the gross amount of income. The limitations of environment must be taken into account. It has been pointed out that the business of a city merchant may expand by a million dollars a year and yet he may be properly regarded as less successful than a small town merchant whose business is increasing at the rate of ten thousand dollars a year. The merchants are to be judged by the use they make of the opportunities that exist in the territory in which they operate.

#### *Take a wide view*

The person who would operate a business to the fullest extent of its trade possibilities must have

spacious thoughts. Mental near-sightedness is not profitable.

It is not reasonable for a firm to expect to relax comfortably in the midst of the tremendous increase in the extent and complexity of our social, economic and political activities and the constantly expanding demands for goods and services. Only a broad and enlightened and enterprising policy will hold the markets a company has, and no other policy will add to them.

Upon reaching this or that frontier in its expansion, a business will realize that technique and expertise are not the only qualities it needs if it is to venture into new territory. It requires a management that has active imagination. This is not a sleepy, meditative faculty. It looks forward, pictures new things and conditions, originates ideas, makes plans and invents. All these are active verbs.

Imagination that is useful operates within the scope of data. It is rooted in experience, and thrives on facts. It sets new goals and makes plans to reach them. The goddess Athene, when she is being her most flattering to Ulysses, refers to him as a many-coloured mind always framing some new adventure.

Innovation pays rich returns when it is put in motion after examining an idea and testing its soundness. To sell the Eskimos refrigerators to keep food from getting too cold is like creating a new product. That is imagination leading through initiative to a new market.

Imagination entertains possibilities, even though the way to realize them seems crowded with difficulties. It tries new plans and makes experiments. The arithmetical functions, multiplication and division, which are short processes of addition and subtraction, did not just appear on the scene. They were first of all mental ideas and were then worked out by people of imagination.

There is no more effectual way of expanding business and of keeping customers than to be of use, which is the meaning of "service". As someone said of the business of banking, "The services we sell are sold by the service we give." A prosperous business



man believes, as Edgar A. Guest wrote in one of his poems: "The only difference, I believe, is in the treatment folks receive."

Many persons mention "the little extra" as the secret of their business-building success. What is this "little extra"? It seems to be made up of things done without thought of gain or advantage, of services not strictly within the firm's function, of courtesies skilfully performed, of a kind word in season, of just listening sympathetically to a customer's troubles.

Being sure that the customer is satisfied with his purchase is worthwhile. It is time-consuming, but it can add the little extra weight that will shift the competitive balance in favour of the company practising it.

### *Three preliminary needs*

Untrained goodness and unused education do not count for much in the business world. Business is not so greatly concerned with the amount that a worker knows as it is with the use he makes of what he knows.

It is customary to smile indulgently at Samuel Smiles' *Self-Help*, published in 1881, and to dismiss as old-fashioned Harrington Emerson's *The Twelve Principles of Efficiency* (1919), and to scoff at Horatio Alger's stories as unbefitting today's business world, and to belittle Lord Beaverbrook's *There's Plenty of Room at the Top* as being "head in the clouds" stuff; but the teachings of some of the earliest writers about the way to succeed in business are as pertinent today as they were at the time they were written. In fact, the student will find the principles those people expounded enshrined in today's textbooks, updated as to mechanics and equipment and the size of operations.

After education, which the worker uses with intelligence, the next need is enthusiasm. It is earnestness that gives a person's effort a vital quality and makes him optimistic and forceful.

Enthusiasm is interest plus energy. People are defeated in life not because of want of ability but for lack of whole-hearted effort. A business can keep alive only if it continues to be lively, if its sponsors and workers are eager to accomplish things instead of waiting to have action forced upon them.

These three, education, enthusiasm and energy constitute the vital elements to be developed by anyone seeking to succeed in business.

### *Rely upon facts*

The effectiveness of doing business rests upon facts first ascertained and then used. The person doing business must be ready to recognize a fact when it is presented, to abandon a pseudo fact for a real one, and to abide by this until further facts are found.

By research and statistical analysis business people ascertain facts, remove uncertainties, eliminate guesswork and do away with haphazard assumptions in their working plans. Accurate and up-to-date knowl-

edge of what is happening and what is about to happen rank high in laying out plans.

Intelligent research and clear-headed analysis of pertinent facts put a business in a favourable position to plan with certainty. Some sorts of research are: technical research, to appraise the best ways of making the goods; product research, to bring out the most forceful appeal of the goods; consumer research, touching upon size, shape, packaging and other features which influence buying; and internal research, to determine productive capacity, financing and management policy.

People in business know the value of forethought and planning. Ten minutes of directed thinking before signing an order or giving approval to a project can save a lot of money. To plan means to see what is needed, analyse the method of doing it, understand the cost and consequences, and lay out the design.

A business needs people who can foresee difficulty as well as people whose views of the future are rose-tinted. By looking at what might happen, a business may save itself from a host of disasters.

Common sense and restraint must be used by the forecaster and planner. When the Korean war broke out in 1950 people in the United States recalled what had happened during the last war — the shortages, the rationing, the black markets. The editors of *Fortune* revealed in 1953 that one hotel announced that it had laid in a ten-year supply of liquor, and a government agency bought a 247-year supply of loose-leaf binders.

### *Serve people's needs*

Profit results from providing commodities and services that people want, at prices they are willing to pay. The job of business development is to ascertain the characteristics of the merchandise for which there is a potentially profitable outlet, to produce such goods, to find the market, and to make plans for promoting sales.

It is not enough for the person in manufacturing or trade to know all about the product: more important in merchandising is that he know public desires and attitudes. He must make allowance for people's caprices, too. He need not approve of their tastes but he is obliged to pay attention to them.

One of the most certain ways to win customers and keep friends is by explaining things. Perhaps the prospect does not know as much as he might about what he requires. The salesman will be appreciated who can enlighten him.

This requires facility in language. Salesmen need to be able to tell prospective customers about the merchandise in language that prospects understand, and what they tell has to be what the prospect needs to know.

Recall the story of the elderly woman who went shopping for a stove. It was told by Robert E. Moore in *The Human Side of Selling*. The salesman described the construction features of a stove at great length,



and talked about British Thermal Units, thermostats and automatic damper control. The customer interrupted him with this wonderfully human question: "Tell me, mister, will it keep an old lady warm?"

What people want and how much they want it are constantly changing. One of the most important factors in business is sensitivity to changes in the popular demand. The *Manchester Guardian* said in 1967 that the wants of the average person had grown in a hundred years from 72 to 464.

One shopkeeper devised a technique. He scanned the "Lost" advertisements in the newspapers. "If you keep an eye on the things people are anxious to get back, you know what they really prize."

Proficiency in marketing often distinguishes the successful factory or store from the mediocre. Selling must not be undervalued as a business activity. It has the job of keeping consumption in balance with increasing productiveness, a balance that is vital to healthy business.

### *Selling is not easy*

Salesmanship is the skill or art of presenting goods or services so as to convert neutral or negative attitudes toward them into positive wants or demands. This is not an easy job. It requires initiative and imagination and planning and perseverance. It works on the basic principle: take something attractive and make it appear necessary; take something necessary and make it attractive.

Every firm knows the advantages of advertising. It is what brings prospective customers to the factory or store or office. These prospects do not form a captive audience. The firm's representatives must show interest, get attention, offer a benefit, prove their case, create desire, and motivate people to take advantage of what the advertisement offers.

The advertising business is not just a matter of listing things for sale. It must present them in such a way as to make them appear desirable. Few persons in advertising today would be so confident as was Samuel Johnson in 1759 when he said: "The trade of advertising is now so near to perfection that it is not easy to propose any improvement."

Creative salesmanship, like creative advertising, does not recognize as salesmen those who merely spread out in cafeteria style what their firm has to sell, and wait for the customer to decide whether he can use it, how much he wants, and give them an order.

The salesman who wins pre-eminence is one who puts his heart into his work. His analysis of every prospective customer to determine his wants is evidence of a sincere effort to solve the prospect's problems. The potential customer needs to be made to perceive the relation between himself and the commodity. His opinion about what constitutes value must be taken into account.

### *Coping with adversity*

People in business need courage and stamina. They cannot hold back their actions until assured that success will attend their efforts. Boldness is inherent in every enterprise; a business man must know how to conduct himself well in dangerous circumstances.

There is great satisfaction in being able to do so. A game of golf cannot be enjoyed on a course that is all fairway, without any rough, any trees, any water hazard or sand traps. It is the obstacles that make it a game. Similarly, business becomes a game if the player rejoices in triumphing over obstacles.

Business management must, however big or small its operation, however easy or tight its equity funds and working capital, consider the risks involved in its operations and eliminate or reduce as many risks as can be dealt with by advance planning, skilful direction and prudent conduct. It must show a healthy respect for the risks that cannot be reduced or avoided.

Awareness of uncertainties and of their possible consequences tends to strengthen business judgment, help to avoid blind blunders, and bring the business nearer to a point of accepting calculated risk with self-confidence in the hope of realizing a calculated gain.

Business is not a restful occupation. The professional worker may find relief from daily work in the reading of great books; the scientist may spend his evenings exploring theories about the universe; but the business leader's evening is likely to be spent in analysis of the stock market reports or in plans to meet the new competition he heard of that day.

In good times, when money grows on trees, merchants find it relatively easy to shake some of it down; but in hard times, when money is valued most for the security it offers, they must work harder. There are times when the auditor cannot whittle the point of his pencil fine enough to write the profit.

If business slumps the management will swing quickly into active investigation. What are competitors doing that puts their business on top? Has the character of the environment changed so that a new promotional approach is needed? Are his goods of the style and quality desired? No matter how bad the situation may seem, the business leader must keep his head. Instead of giving in to adverse circumstances, he will direct his imagination and his skills toward improving them.

### *Do things right*

Getting ahead in business can be consistent with following the soundest and most ethical rules for successful living. To be known for good character and a high sense of commercial honour is a big help toward building and expanding business.

Ethics is the code of values to guide man's choices and actions. These determine the course of his business and of his life. There is no field of human activity in which ideals applied are of more value than in business. Winning is not enough: the game must be played right.



A good contract is a transaction which benefits both parties to it. It is expected to state all the conditions relevant to a deal. Half-truths, misleading assertions, and statements made without a foundation of knowledge can do nothing but harm to a firm.

It is an obligation recognized by business people to keep advertising and sales representations truthful and fair. They should give customers a complete understanding of the quality, quantity, price and function of the commodities or services. It is not ethical to sell a person a service or a commodity that he cannot use to advantage any more than it would be to misrepresent the worth of materials or workmanship. Quite as many articles are bought because of our faith in the seller as because of our faith in merchandise.

In business of any sort a person is only as good as his actual performance proves that he is. Every person selling goods or services is in a position that law books refer to as "quasi-public". He has a responsibility to customers as well as to the firm. People will trust the firm whose officers always behave in a dependable and foreseeable way. As someone said: "Virtue has survival value."

One's judgment of what is right is determined by his acquaintance with the best standards. A business must have standards, and it must have rules to enforce the standards.

### *Join the community*

Every person requires that the community in which he lives have the capacity to provide him with an environment in which to realize a good life. The business world is part of that community.

Businesses as organizations and business people as individuals live in a social environment, and business requires an imaginative understanding of the social effects of its activities. It shows concern about its civic responsibilities.

Public opinion is a force to be reckoned with, listened to, and cultivated. Some people look backward with nostalgia to the old days. They talk about the sociability of handcrafting as compared with the solitariness of the production line. They point to the comradeship of early workshops, free from friction.

That view leaves out of account the advancement made in the number and variety of things that are produced to meet new demands. The old-time wagon needed only a little grease now and then where the wheels turned on their axles; the truck of today has fifty or more points that need grease or oil. It is similarly true of business contacts with people: there are more points where friction may develop.

What is the public reputation of a business? It is the sum total of its habits of thought and the actions arising out of those habits.

Public relations does not mean putting up a false front. It does not mean whistling, like the cook's helpers on the good ship *Bounty*, to prove that we are not eating the raisins. It means doing the right things

in a pleasant way, and making our actions manifest: it means having good qualities and making them known to the public.

The ideal relationship between a firm and the public exists in the presence of loyalty, trust and understanding. It is symbolized by the confidence with which the people accept the firm's word. Just showing that the firm cares will win many friends.

### *In private life*

The principles of business operation apply to other life activities. Every person who carries home a weekly pay envelope is in business.

In the time of Aristotle, indeed, the word *oikonomike* meant "the management of the household," and a dictionary gives us: "Economics — the science of the management of a household or domestic concerns."

Business comprises all human activities that are directed to the acquisition of incomes and their expenditure. In their book *Economics*, one of the texts prepared as part of the Alexander Hamilton Institute Modern Business Program, Bowden and Carlin say: "Economics is the study of what people do with the things they have to get the most of what they want."

Running a home is a business. There are income, expenditure and profit. The profit is the health and happiness of the family. An efficient consumer-buyer is one who gets what his family needs for its well-being at the minimum cost.

Every household should apply the purchasing techniques that are used by business firms. For example, determine what characteristics, specifications, or properties you require in the furniture or equipment or supplies you are contemplating buying. If, in addition, you use budgetary control of income and expenditures you are systematizing foresight.

Among the forces affecting every business, whether it is a big company or a household, are world-wide economic fluctuations, national and provincial political happenings, advances in technology, and changes in style of everything from a pair of shoes to a nuclear reactor.

Some of these are easy to deal with, but many of them cannot be improved over a week-end. The problem of everyone, whether in a developed country like Canada or in one of the countries just starting to industrialize, is how to get through the present change of life into the easier times they see ahead without in the meantime tearing themselves to pieces.

The economic and social problems Canada faces today, though heavy, are not burdens, but invitations and incitements to achievement if Canadians show courage, hope and belief in the things they want to undertake and to do.

Professor Alfred North Whitehead put business-like ideals into words in a lecture at the Harvard Business School: "A great society is a society in which its men of business think greatly of their functions."