

Deeds & The Cash

Monday, Dec. 05, 1932
Time Magazine

Until last year there hung in the office of John H. Barringer, high-powered general manager and dominant executive of National Cash Register Co., a sign: "BIGGER OR BUST—\$100,000,000 sales, \$20,000,000 net profits." Last year because the sales were dwindling to \$29,000,000 and the profits to nil, and because N. C. R. could no longer pay dividends, high-powered Mr. Barringer resigned. Into his job but not his office went Col. Edward Andrew Deeds, tightlipped, bespectacled chairman of Niles-Bement-Pond Co. (electric machinery), of Pratt & Whitney (airplane motors), of General Sugar Corp. It was a home-coming for Colonel Deeds, for he got his start as a young engineer in N. C. R., rose to general manager before branching out into machinery and aviation. Last week after more than a year as chairman Colonel Deeds dealt a new hand to the stockholders and to himself.

In so doing Colonel Deeds wrote the final chapter to the story of N. C. R. as a family concern—one of the purple romances of U. S. business history. Rooted deep in the autocratic individualism of the late Founder John Henry Patterson, N. C. R. in the early years of the century shouldered its strenuous way forward to the point where Founder Patterson could boast that he built 90% of the world's cash registers. The "inventor" of modern high-pressure salesmanship. Founder Patterson bullied and pampered his employes, told them what to eat, often shared as much as one-third of his net profits with them. When he died in 1922, a legendary figure, N. C. R. was still all his.

The present set-up of N. C. R. dates from 1925 when ambitious Clarence Dillon, fresh from his fabulous Dodge Motors deal, engineered another distribution of stock in a family business, whereby the Patterson family sold about two-thirds of its inheritance to the public but retained practical control. In this case the plan was to issue two classes of stock. Class A, with a total market value of \$55,000,000 and having certain preferred rights as to dividends, was sold to the public. A majority of the Class B was kept by President Frederick Beck Patterson (son of the founder), the rest by his close associates. As long as dividends were paid to the public's A, the family's B controlled the company. Last year the dividend on the A was omitted. B lost control and able Colonel Deeds was called in by the directors to take command. Only one new director was elected: President Gordon Sohn Rentschler of National City Bank.

Colonel Deeds's plan is to abolish the two classes of stock. Class A stockholders (the public) will get one share of new common for each share held, plus one-fifth of a share to compensate for unpaid dividends. Class B stockholders (family & friends) will get only one-half a share of new stock and will, of course, have no special voting control privileges. Capital surplus will be provided out of which to make \$12,000,000 write-offs.

Thus did a company that was the epitome of U. S. corporate management 25 years ago pass through the metamorphoses typical of the last decade to a publicly owned enterprise with a hired management. And thus did a fortune founded in autocratic individualism fade into the twilight reserved for minority stockholders.

Colonel Deeds's new hand is a reward for past & future services. He will be given an option on 50,000 shares of stock which N. C. R. bought -in the open market. At any time within five years he may take it at the average cost to the company—\$9.80 a share. On the \$489,870 which N. C. R. has tied up Colonel Deeds will pay 4%. If he can bring N. C. R.'s profits back to their oldtime levels (in 1928 and 1929 they were better than \$7 per share of Class A), he will be well paid for his efforts. Should the stock sell at ten times its old earnings, he will stand to clear more than \$3,000,000.*

Farm-born Colonel Deeds quit N. C. R. with his good friend Charles Franklin Kettering to develop the Delco ignition system for automobiles. In 1916 they sold out to General Motors for several millions and Mr. Kettering followed to become a pillar of G. M. Colonel Deeds became interested in aviation during the War. took charge of Government airplane production. He is

The Core Memory Project

largely credited with perfecting the Liberty motor. After the War he followed both electric machinery and aviation into Niles-Bement-Pond and Pratt & Whitney. As a director of National City Bank he stepped into the presidency of National Sugar Corp. On his 205-ft. Diesel yacht The Lotosland he has a pipe organ, a seaplane tender.

N. C. R. in its home town of Dayton (where Colonel Deeds's estate is one of the show places) is always called "The Cash." In its day it was one of the great business training schools, turning out also Richard Grant of General Motors' Chevrolet Division, President Thomas John Watson of International Business Machines, President Alvan Macauley of Packard. But now The Cash and the times have changed. So high-pressure were Founder Patterson's sales methods that today the U. S. market is saturated; 55% of N. C. R.'s business is done abroad where shopkeepers still toss centimes, kopeks, drachmas, kronen into tills.

*Last week Wall Street recalled that Gerard Barnes Lambert, merchandising brains of Lambert Co. ("Listerine"), became president of Gillette Safety Razor Co. year and a half ago at no salary but with the agreement that if he should push earnings back to \$5 a share he would receive a bonus of 20,000 shares of Gillette stock: if he jacks earnings up to \$6 he will receive another 20,000 shares.