

A PROBLEM OF ECONOMIC READJUSTMENT TO
GEOGRAPHIC FACTORS.

FLEMING W. COX, UNIVERSITY OF ILLINOIS.

The shift of population from the farms, villages, and small cities to the larger cities has been one of the marked tendencies of the last two decades. This tendency has been almost universally deplored, for two reasons. In the first place, the basic industry of agriculture suffers when people desert the rural districts; in the second place, the conditions under which large numbers of people must live in the large cities are detrimental to health, economic liberty and happiness, and consequently to good citizenship. It is, therefore, interesting to discover a movement in the opposite direction, in the readjustment of the business of the Indian Refinery Company at Lawrenceville, Illinois. Since this readjustment is largely due to geographic factors, it has a greater significance, because such factors are of fundamental economic importance.

The Indian Refinery Company started as a small concern at Georgetown, Kentucky. It first opened offices at Cincinnati, Ohio, but soon moved them to New York City to get near to the money market. Soon after the opening of the oil field in southeastern Illinois, this concern started a small refinery at Lawrenceville, Illinois, which soon became their most important holding. The refinery at Georgetown was abandoned and all refining was done at Lawrenceville in the plant that has continued to grow steadily. The business was not always a profitable one. In 1923, it was compelled to face serious financial difficulties. It was found, upon checking up, that the company was losing \$2,000,000.00 a year. A study of the difficulties led to the decision of moving the main offices from New York to Lawrenceville. This plan of moving the administrative and selling organizations from a highly congested urban region to a small city, far from any large commercial center, while not a perfect example of decentralization, still has some interesting characteristics of such.

In making such a move, it was necessary to take into consideration not only the effect upon the financial condition of the company, but also the effect upon the lives of the employees.

The first step in the readjustment was the erection upon the property of the company at Lawrenceville, adjacent to the refinery, a modern, well-lighted, fire-proof office building of three stories. The second step was to secure homes for the people. Options were taken on the lots of a new addition that was being platted at Lawrenceville. On some lots, houses were constructed before the employees came. Arrangements were made whereby the employees could buy houses and lots, or buy lots and build houses paying in either case on the installment plan.

In November, 1923, the first part of the office force was moved, and in January, 1924, the last part, a group, of 58 came to their new home on a special train. The company took charge of the move in a thorough manner. It sent to the houses of the employees expert packers, who crated and packed the household goods, shipped them to Lawrenceville, unpacked them in the new homes where everything was in readiness when their owners came. In a similar manner the office fixtures were moved. The employees left their offices one Friday evening in New York. On Tuesday morning following they walked into the new office in Lawrenceville and found desks and files ready for the commencement of work.

How successful was the move? It has taken time of course to tell. It was two years in January since the move was completed. That is long enough to show some indication of results.

The change has been advantageous to the company. As has been stated before, the company was losing money. This amount was not a small loss but so large a one that a radical readjustment was necessary. As Dr. Frank Fitts, Vice-president of the company put it, "Ignorance of geography in the full significance of the term on the part of the principal officers of the company, located in New York was quite rapidly bleeding the company to death".

Shortly after the move to Lawrenceville, the company was able, for the first time in a number of years, to declare a dividend. The most important factor in turning the business into a profit making concern was, without doubt, the change of view point of the selling force. As long as the selling organization was located in New York, the sales force looked at their field of operation from the viewpoint of that city. The result was that the greatest effort to sell was made in the eastern part of the United States in the territory around New York City. There were two serious disadvantages to this. First, there was direct competition with the large refineries in New Jersey which did not pay as much for transportation charges as did the Indian because to the former the crude oil was brought by pipe line. Second, the field of the Central States nearest the Indian Refinery, a field in which it had the advantage from the standpoint of transportation was almost entirely neglected by the sales force in New York. To illustrate how completely this field was neglected, might be mentioned the fact that the Indian Refinery did not have a filling station in Lawrenceville itself until within the last two or three years. Located in Lawrenceville, the selling organization decided to concentrate upon the states of the Middle West, instead of the East. The most important market has become the states of Illinois, Indiana, Ohio, Kentucky, and southern Michigan. There has been no attempt to go further west because the oil from fields further west flows east through the pipe line. The eastern stations are being gradually abandoned. In fact, it has been found more advantageous to purchase oil in the East for the few stations that remain rather than try to transport it from the refinery. The company has signified its attention of disposing of all its filling stations in the East in the near future. The office force in New York at present consists of only three people who have charge of the export business.

The cutting of the expense account was a second factor that changed the concern from a losing to a paying one. The saving of rent was no small item. The rent for office space in New York cost approximately

\$62,000.00 a year. The cost of the construction of the new office building erected at Lawrenceville, which is more commodious than the old quarters as well as better lighted and ventilated was approximately the price of one year's rent in New York.

As long as the main office was in New York, it was necessary to have a small office at Lawrenceville. Consolidation of the two offices made the expense less for several reasons. One was the elimination of the cost of communication. This had been carried on by telegraph, postal service, and by frequent trips over the distance of 1,500 miles by different officials, some of whom were located at Lawrenceville and some at New York. The expense of telegrams alone had amounted to from \$2,000.00 to \$3,000.00 a year. The distance between the two offices was so great that the expense involved in the retardation of business due to the necessity of communication was probably larger. Consolidation made fewer places to fill since it eliminated duplication of work that had been necessary before.

The third important factor that made for success of the company is a better esprit de corps. As long as the office was in New York, there was tendency for overmanning, especially the higher salaried positions. The general atmosphere was not such as to produce excellent work. Some of the employees had never seen any of the products of the company and the work, to such, was the mere routine of a detached office. There is better work done in the new location. The people of the office force are better acquainted with each other, and with the higher officials because they are all close to the refinery. The products of the company are real things to them and not merely items on a bill or ledger.

The company rightly believed that if the experiment was a success the effect upon the lives of the employees must also be beneficial. They, consequently, took great pains to carry out the difficult and delicate task of moving the 300 or more people to their new homes. Many of them had never lived outside of New York and did not take kindly to the idea of being transported 1,500 miles and settled in a small city of about 5,000 inhabit-

ants. The company promised to pay all transportation costs of both people and household goods. It further promised that at the end of six months, all that should have become dissatisfied would be moved back to New York with their household goods at the expense of the company.

There was bound to be some dissatisfaction. Who could expect to make so drastic a move in which about 300 people were involved without creating some dissatisfaction. Lawrenceville is a progressive city and more attractive than the average city of its size, but to some of those who came from New York it looked very small, dull and commonplace. The people of this little Illinois city welcomed the newcomers and tried to make their entrance into the new home as pleasant as possible. This welcoming manifestation was accepted by the majority of the newcomers with appropriate courtesy and the result was mutual good feeling and a spirit of cooperation. Some of the newcomers, however, were not pleased and seemed to scorn all people who had not been reared in New York. A few of these dissatisfied ones soon returned but their places were taken by people living in Lawrenceville or places nearby. There was also some dissatisfaction on account of housing conditions. These were not adequate in spite of the efforts of the company to meet the difficult situation. This difficulty disappeared within a short time because a building program was inaugurated and building has gone steadily on to the present time.

The testimony of employees and officials bring out the advantages to the employees of living in a small city rather than in the metropolis of the country. Possibly the most important fact in the lives of the employees is that they can enjoy a higher standard of living in Lawrenceville than they can in New York on the same salary. Dr. Frank Fitts, vice-president of the company, gives a specific example of three stenographers who, in New York, lived in a hall bedroom with a share in a community sitting room. They ate at cheap restaurants or boarding clubs. They could not hope to own a car. They could not even pay garage rent for one. To get to and

from their work they were compelled, twice a day, to endure the rush and jam of street car traffic. In Lawrenceville, they have rented a five-roomed bungalow and are keeping house. The bungalow is surrounded by a lawn with walks and flower-beds. It is equipped with the modern conveniences that go with water, gas, and electricity. They have their own dining-room and a pleasant sitting-room in which to entertain their friends. There is a garage upon their lot and they can afford to own a car. The car gives them recreation in many forms and takes them to and from their work.

Another specific example is that the head of one of the book-keeping departments. In New York, he and his wife lived in a three-roomed apartment, that is two rooms and a kitchenette. They were barely making both ends meet on his salary. Their only recreation was an occasional down town jaunt on Saturday night. They had no room to entertain company, and consequently had few friends. In Lawrenceville they have a pleasant home. Both take pleasure in cultivating flowers and vegetables in their garden, which living in Lawrenceville permits them to have. They are able also to own a car which makes it possible for them to take different kinds of outings that were absolutely beyond their reach in New York. They can and do entertain friends, and whereas they were strangers in New York, they are in the midst of a circle of friends in Lawrenceville.

Another factor of value to the employees is that they may become property owners, live and raise families under sanitary conditions and take part in civic, church, and the social affairs of the community.

The social and recreational facilities available for people that draw moderate salaries are better in Lawrenceville than they are in New York. The fact that all work for one company in a small city makes it possible for them to become acquainted with each other. The company encourages social affairs among the employees and aids in carrying them out. This was practically impossible in a large city. There is a country club near Lawrenceville and many of the employees can afford to belong to it. There are places for fishing, bathing, hunting

and other forms of outing. For those that do not own cars, the company runs free busses which take the employees to and from their work, morning, noon and evening. On holidays and after work hours, these busses may be secured free by groups of five or more for picnics, trips to the country club, and other outings. There is, in fact, a closer relationship between the higher officials of the company and the employees because all live in one small city in which is located the refinery in which the products with which their work is concerned are made.

Thus after two years the officials of this rather extensive business organization feel that the move has been successful both from the standpoint of the company which is now able to pay dividends, and from the standpoint of the employees who are able to live a life that gives them greater advantages than was possible in New York.