

Pierre S. du Pont
and
the Making
of the
Modern
Corporation

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"charge of matters of all kinds pertaining to the powder and high explosives business of all the companies in which Laflin & Rand, Eastern Dynamite, or Du Pont & Co., are importantly interested."⁹³ The committee consisted of the president and department heads. As Moxham had written: "Each member of the Committee will take charge of and be responsible for the department of which he has charge with the power to appoint committees, himself being chairman, for such purposes as he deems advisable." There were soon to be three "operative" or product departments for the manufacture of the company's three major products, and separate sales, development, and financial departments.

The men who had played a major role in forming the enlarged company now became the department heads and members of the Executive Committee. Only Coleman, as president, was relieved of departmental responsibilities. Alfred would be in charge of all black powder operations, while young Francis I. du Pont, Cousin Frank's son, headed the much smaller Smokeless Powder Department with its plants at Pompton, New Jersey, and Carney's Point. Hamilton Barksdale, as the former chief of Repauno and Eastern Dynamite, was the logical choice to head the dynamite or High Explosives Department. Barksdale had already begun in the autumn of 1902 to bring the activities of the old Eastern Dynamite under a single centralized control. J. Amory Haskell, one of the ablest executives in the industry and the only one in the top group of the new company whose experience embraced dynamite as well as smokeless and black powder, took charge of the Sales Department. As Haskell decided to keep his residence in New York, he turned most of the department's daily work over to his assistant manager or director, Charles L. Patterson. Patterson indeed played a basic role in fashioning the new department, a creative task for which his training at Repauno had well prepared him. Waddell's resignation from the Du Pont Company in December undoubtedly made it easier for Haskell and Patterson to take full control of the new department.

The Treasurer's Department also centralized in Wilmington the administration of a single function for many plants and offices. Pierre, as treasurer, turned much of his day-to-day work over to the auditor, Dunham, who quickly began to introduce and extend uniform accounting methods and other financial controls over men and offices handling the production and sale of dynamite and smokeless and black powder, much as he had done in the preceding spring for the black powder plants and sales office of the older Du Pont Company. John Raskob, as assistant to the treasurer, also aided Pierre with much of the more routine work and assisted Dunham in devising and checking accounting techniques. Raskob's more important task, however, continued to be assisting Pierre and Coleman in working out and implementing plans for financing the company's strategic expansion.

Finally Moxham had suggested that he, as a member of the Executive

Committee, head what was a new type of office, one that existed in almost no other large American company outside of the electrical industry. As senior executive of the Development Department, Moxham was officially "in charge of competition of all kinds. In charge of developments and of experimental work."⁹⁴ He was to be responsible for the new company's strategy as well as its structure. He remained charged with defining its over-all organization and was to analyze, interpret, and plan ways to meet competition. This included the relationships with existing concerns, new concerns, those firms with whom the company had agreements, and those in which it held a stock interest. Moxham's office was also to concentrate on "improving our strategic position in the matter of raw material, e.g., charcoal, sulphur, nitrate of soda, etc., and a proper consideration of receiving points for such material as may be distributed to all the combined interests."⁹⁵ Finally, he was to investigate and develop "any new inventions or innovations" that came from within or without the company, bringing the project, as Coleman explained, "to a point where you would either yourself drop it or take up with the Executive Committee, the advisability of adopting it."⁹⁶ The mission of Moxham's office was then essentially that of a general staff, to review constantly the company's over-all situation and then to suggest plans to the Executive Committee for meeting new needs and opportunities.

The adoption of the new operating structure in February 1903 completed the plans outlined by Pierre and Coleman at the time they had purchased the old company. The potential of their purchase could now be realized. Costs of production and distribution could now be cut by reducing the number of administrative and sales offices and by concentrating production in large plants advantageously located in relation to markets and raw materials. Moreover, Pierre and Coleman had achieved this fundamental transformation in much of the explosives industry without laying out any real cash and without resorting to the banks or Wall Street. Their formula was the extremely simple one that they had learned in the traction business. They paid for their purchases in bonds, with the interest on the bonds equal to the current income from the purchased properties. In addition, to get the sellers to accept bonds rather than the cash they had first insisted upon, the buyers offered them a stock bonus in the new corporation or in a holding company controlled by the new corporation. In these years many other American industries were undergoing similar transformations. In steel, electrical manufacturing, agricultural implements and other machinery, matches, rubber, biscuits, and a host of others, small family firms were being combined into impersonal integrated industrial enterprises. By 1900 investment bankers and brokers from Wall Street were playing a critical role in the change of these industries, and they charged a high price for their services. The du Ponts and the explosives industry avoided this cost.

senior executive, except for the president, was a department head responsible for the organization and operation of a single functional activity. As a member of the Executive Committee, each department head was also expected to take part in defining the plans and policies of the total company. In the first months of the Powder Company's existence Pierre learned more about this second of the two roles, since he was, during Coleman's absence, the committee's first chairman. Later in the year he finally had a chance to concentrate his attention on creating his own treasurer's office. Only after his department was manned and working efficiently did Pierre find time to initiate basic financial policies for the company as a whole.

Under Pierre's guidance the Executive Committee quickly took hold. As Moxham reported to Coleman in distant California, when forwarding him copies of the committee's minutes: "I think you will find that they speak well for the earnest effort to introduce system and a general plan into what we are doing, particularly a proper control of finances."¹ The greatest difficulty was, as Moxham pointed out, to keep the committee's attention on broad over-all policy. "We have to learn to leave details to Heads of Departments instead of trying to make them subjects of executive action, and leave to the Executive Committee only the big questions," Moxham commented early in May.² "I think we are improving upon this at each meeting." Three weeks later he reported continued progress. Haskell tended to be overconcerned with details but was working hard and loyally, as was Barksdale. "Even Alfred, finding that no one objects to safety valves going off, seems to be feeling better as to the general situation all the time and looking at it from a broader point of view."³

Six weeks later, however, Moxham was less optimistic. Old ways were proving hard to change. "In the main Haskell has been perhaps the greatest disturbing element," he told Coleman, "his past method having been to attend to very minute matters to such an extent that practically no one under him was a free agent. He professes not to believe this, but nevertheless it is true."⁴ Barksdale, Haskell's "First Lieutenant," was much the same. "To the extent that this is now done on the part of both of them, it is not with intent but from force of old habit, and it will be some time before the two of them get straightened out." On the other hand, Francis I. du Pont was increasing his grasp of administrative matters, although he was reluctant to carry his duties to other plants besides that at Carney's Point. "It is going to pay to push Francis on."⁵ "Alfred," Moxham continued, "as far as organization is concerned is in no way a disturbing element, but in every way an aid." As for Pierre, Moxham had only the highest praise for his work on the committee as well as for his work on the consolidation. "Pierre has been 'the man behind the gun' doing his own work and making good, wherever possible, the deficiencies of the others."⁶

When Coleman returned in August, the committee was already working

fairly harmoniously along the same lines it would follow for many years. The president took over the reins of management from his younger cousin as quickly and surely as he had engaged himself in completing the consolidation. Pierre turned over the chair at the Executive Committee meetings with relief. He was sure his cousin could handle the job more effectively than he; and in the late summer and fall of 1903 the younger man had more than he could do in completing the financial details of the consolidation and in fashioning a treasurer's office to carry on the financial activities of the new Powder Company. Even so he remained, second only to Coleman, the most influential man on the Executive Committee and, therefore, in the over-all administration of the company.

Strong and dynamic as he was, Coleman never usurped or bypassed that instrument of group management—the Executive Committee. That group, rather than the Finance Committee or the board of directors, made the decisions that counted. However, Pierre, more than Coleman, saw the value of using the other two formal governing bodies as places to tie the family to the company. Pierre proposed the formation of a Finance Committee to include himself, Coleman, and Alfred as a way of assuring Alfred of his place at the top.⁷ Once Alfred seemed satisfied with the way the affairs of the big company were going, Pierre saw to it that the Finance Committee became formally a subcommittee of the Executive Committee.⁸ Because Coleman and Pierre did not bring Olin, Lent, and the Fays into the Powder Company, they did not need the board to give these outside interests representation as Pierre originally had planned. The only representative of such interests to become a director was Frank Connable, who had been president of the Chattanooga Company, and he did so only after becoming an active member of the Powder Company's management.⁹

Pierre and Coleman, therefore, consciously decided to use the board as a way to bring into the company the members of the family who were not directly involved in its day-to-day management. In addition to the former partners who had sold out in 1902—Colonel Henry, Cousins Frank and Alexis—Pierre and Coleman arranged to have Eugene's oldest son and one of Pierre's favorite relatives, young Alexis I. (Lex), become a director. Victor, the brother of Charles I. (who had died in 1902), also took a directorship shortly after Charles's death. To bring these representatives of different branches of the family still closer to the company, Pierre and Coleman gave each nominal jobs, Lex as the company's secretary and assistant treasurer and Victor as the head of the Real Estate Department. In these tasks both worked directly under Pierre. On the death of two of the elder generation, Francis G. and his brother Alexis I., in 1904, Henry F. du Pont, Colonel Henry's only son, and Pierre's brother Irénée took their places on the Powder Company's board. The next year Eugene E., old Alexis I.'s son, became a member.¹⁰

On the other hand, Pierre had to use his most tactful and diplomatic persuasion to convince William du Pont, Colonel Henry's brother, first to go along with the consolidation and then not to ask for a seat on the board.¹¹ William had left Wilmington in 1892 to take up the life of a Virginia country gentleman after divorcing his first cousin, May du Pont (one of Charles and Victor's sisters), and marrying Annie Rogers Zinn, a lively divorcée from nearby New Castle. William and his brother Henry, who still considered himself as the head of the family, had not spoken to each other since the succession crisis of 1889. With the divorce, other du Ponts followed Henry's example. Pierre, however, remained on good terms with William and was careful to keep him informed of the important activities and developments in the Powder Company. His regular letters to William became, in fact, one of the most valuable sources for the company's history.

The members of the Powder Company board who were not on the Executive Committee considered themselves as the spokesmen for the several branches of the family rather than as policy makers. They were willing to be little more than ratifiers of the committee's actions. Sometimes, if the Executive Committee was unable to agree, and particularly if the disagreement came over large sums of money, it took the matter to the board. Yet such occasions were rare. No one connected with the Powder Company ever doubted for a minute that the Executive Committee ran the show. Its seven members considered themselves, and were considered by others, as the company's top management.

During the first years of its existence the committee remained relatively unchanged. Alfred and Barksdale continued to represent the Black Powder and High Explosives Operating Departments; Haskell, Sales; Pierre, the Treasurer's Department; and Moxham, Development. Francis I. stayed on the committee until the end of 1904, but took only a passive part in its deliberations after he became head of the new Experimental Station in December 1903. Coleman then put a brother-in-law, Henry F. Baldwin, in Francis's place as the head of the Smokeless Powder Operating Department.¹² Baldwin, an experienced professional railroad executive, had enjoyed a successful career, first on small New England roads and then as chief engineer of the Chicago & Alton and finally of the Erie Railroad.

All the members of the Executive Committee were young, but nevertheless experienced industrialists. All but Alfred had worked in businesses other than explosives. In fact, three of the seven members, Coleman, Moxham, and Baldwin, had had no previous experience in the powder industry. Coleman had been engaged in coal mining before he joined Moxham in steel and traction; Haskell, like Coleman, had mining experience; Haskell, Barksdale, and Baldwin had all been railroad executives; while Pierre, despite his young age, combined a detailed technical knowledge of explosives with a broad business training acquired from his brief acquaintance with two of the

most progressive industries of the day, steel and traction. Because of this outside experience, the practices and procedures the Du Pont Executive Committee devised for the administration of its new enterprise probably owed more to the experience of railroads, steel, and traction businesses than to that of the explosives industry.

Broad training in similar areas undoubtedly helped the members of the committee to work together. Perhaps a similarity in age and education further aided a common approach and outlook. So too did family ties and loyalty. The managing board of the new enterprise included, besides the three du Ponts who had formed the new company, two du Pont in-laws. Only Moxham and Haskell had no connection with the family. Except for the older Moxham and the younger Pierre, the others on the Executive Committee were, in 1904, all between forty and forty-three years of age. Pierre was only thirty-four while Moxham, in many ways the wisest of them all in the ways of corporate management, was fifty. (The older man, incidentally, was the only one on the Executive Committee to whom Pierre used the title Mr. rather than a first name.) All but two of the committee members had formal engineering training. Baldwin, as well as the three du Ponts, had attended the Massachusetts Institute of Technology. Barksdale had taken the civil engineering course at the University of Virginia. Only Moxham and Haskell were not college men. And Moxham was a self-trained engineer who had helped to invent and develop a new type of steel rail. Rigorous engineering training in college as well as the engineering experience involved in their early business careers undoubtedly help account for the rational systematic approach that the members of the Executive Committee took toward the management of their enterprise.

Pierre and his associates on the committee differed more in looks and temperament than they did in business outlook and training. His two cousins were as tall as he. All three were over six feet. All three had the prominent du Pont nose and high forehead and all were beginning to show signs of baldness. The three made quite a contrast to the small, dapper, urbane Barksdale, the expansive, jovial, graying Haskell, and the short, stocky Moxham, whose crick in his neck and slight facial twitch gave him a bulldog appearance.

The personalities of the members of the Executive Committee were in even greater contrast. Coleman exuded energy, ability, optimism, and confidence. Armed with a fund of amusing, often ribald, stories, he used his quick wit and ready mind to dominate any activity, social or business, in which he entered. Yet, as his first year in the company indicated, there were physical weaknesses behind this rugged exterior. From 1903 on, Coleman du Pont became increasingly subjected to sharp, severe, and often prolonged and exceedingly painful illnesses. In the summer and fall of 1905 he was, for example, closed up in a dark room with his eyesight impaired,

mittee supported the treasurer in insisting that "all records coming to the Executive Committee should have the same distribution of charges," while still permitting department heads to keep "special statements" for their own use only.¹⁴ Apparently problems continued, for in the summer of 1908 the Executive Committee voted that "distribution of charges be placed entirely under the control of the Accounting Department."¹⁵

Well before this time, the Accounting Department had defined and the Executive Committee had approved of methods to determine and to allocate nonmanufacturing overhead charges. Except for Experimental Station's costs, there was little debate in the Executive Committee or the Treasurer's Office over such allocations. Sales expenses were relatively easily divided among the several products, as both the central and district offices were operated largely along product lines. The expenses of the Wilmington office and its bureaus were prorated according to the volume of sales. The expenses of Pierre's department, of Coleman's office, of the secretary's office, and of the Purchasing Department were prorated among the major products in much the same way as were selling expenses. For example, the Purchasing Department's expenses were divided among the three manufacturing units, with Black Powder taking 25%, High Explosives 56%, Smokeless Powder 17%, and Torpedo 2% (Torpedo was essentially a unit of the High Explosives Department, and made explosives used in the drilling of oil wells).¹⁶ This method was used to allocate the expenses of the Development Department, except for the Experimental Station. These charges were added together and listed for each product as "administrative" costs. This item was subtracted from the net operating receipts to give the "net" return for each product on the monthly and annual income from sales reports.

The Legal Department's costs were handled in a different way. It charged the departments on a job basis. Moxham and Francis I. du Pont hoped that the Experimental Station would be able to pay its way in much the same manner as the Legal Department. Their original plan was to have all improvements developed by the laboratory considered its own property, and have the operating departments pay a fair royalty for inventions or new processes, or buy them outright. Such a proposal, however, did not make clear how to charge for those experiments that were not successful and how to allocate the other general expenses of the Experimental Station.¹⁷

Pierre turned his attention to the problem of accounting for Experimental Station's expenses shortly after returning from his long trip to Europe and South America in 1905. By the plan he finally proposed, the Executive Committee would review each January the sums expended that year for experiments, dividing the expenses among the three manufacturing departments. Against the fund would "be charged all general expenses of ex-

perimentation which cannot be properly brought against any one experiment" plus "the entire net cost of unsuccessful experiments."¹⁸ The cost of successful experiments would be carried on the Patent, Goodwill, and Plant Account and, on the approval of the Executive Committee, this cost would either "be capitalized permanently" or "be gradually reduced by the payment of royalties by the Department benefited." Early in 1907 the Executive Committee agreed to account for the experimental expenditures at the Eastern Laboratory in the same way.¹⁹ A little later, procedures to account for the costs of each individual experiment and to determine whether it had been successful or not were established. On the whole, however, the methods devised by Pierre remained relatively unchanged for many years.²⁰

The determination of cost-accounting policy involved the treasurer largely with the manufacturing and auxiliary departments. Pierre's Auditing Office, however, had a closer relation with the Sales Department than did his accounting unit. The company's traveling auditors checked all the accounts for the sales in all the branch offices and the one hundred or so storage magazines and delivery points as well as those of the different explosives works.²¹ Also most of the branch offices had their representatives of the Treasurer's Department who handled the collection of the overdue accounts and submitted to Wilmington daily reports of sales made.

One of Pierre's first tasks in setting up his department was to work out the procedures for billing and collecting as well as for making the daily audit of sales. By December of 1903 he and Haskell had agreed that the new branch offices of the Sales Department would do the billing and that duplicate bills were to be immediately forwarded to the Accounting Department in Wilmington. Employees of the Treasurer's Department in the branch offices were to have "direct supervision and control of all local billing."²² Moreover, the Executive Committee added that "everything in the nature of dunning . . . should be done only through the branch offices of the Accounting Department." The salesmen should not have to be handicapped by being forced occasionally to become bill collectors. The initial procedure for dunning was, Pierre explained to the Executive Committee:

to write a stereotype letter to each customer as soon as his account becomes due, calling his attention to the fact and adding that not hearing from him to the contrary, we will understand that it is satisfactory that you have us draw at sight on a certain day (naming a day ten days from the date of the letter).²³

The plan was proving quite successful and 80% of these drafts were paid immediately.

The Sales Department, however, was far more concerned with pricing than costing and accounting policies. From its beginning the Executive Committee turned over the setting of specific policies to Haskell's depart-