DONALDSON BROWN (1885-1965): THE POWER OF AN INDIVIDUAL AND HIS IDEAS OVER TIME

ABSTRACT: Donaldson Brown developed the expanded Return on Investment (ROI) measure, or DuPont formula, in 1914. However ROI was not Brown's only contribution to financial management. His dealer ten-day reporting system was widely and rapidly adopted throughout the auto industry. His ideas to support a variety of forecasting and planning techniques supported decentralized corporate management and his pricing processes were cutting-edge developments that others tried to emulate. Flexible budgeting at General Motors, frequently unrecognized, also was in place during his financial administration in the early 1920s.

ROI remains Brown's most prominent contribution and the technique achieved status as a dominant approach to financial management in industrial corporations by the 1950s. As a national standard-of-performance measure, it was supported by varying sources including the American Management Association as well as in the teaching materials of academics, especially Robert N. Anthony of the Harvard Business School. The impact of these forms of dissemination led to ROI being adopted eventually at the Ford Motor Company when its previously autocratic centralized style of Ford family management was replaced by a team known as the Whiz Kids, led by Harvard Business School alumnus Robert McNamara and a former GM vice president, Earnest Breech. This paper asserts the significance of the innovations developed by Brown as being among the most important of those initiated in 20th century corporate America, and thus among the most important in the development of 20th century accounting and financial management thought.

A January 1996 article in Scientific American noted the hearty timelessness of Donaldson Brown's then 82-year-old return-on-investment (ROI) measure, also known as the DuPont formula [“How Much Bang for the Buck?,” 1996]. While it is