

# A CHECK SHEET

## of Practical Suggestions

### for Planning a

### Company Program

#### I—Long Term Planning of Business Operations

##### Analyzing the Business

**A.** Definitely abandon the yearly period as the basis for business operations, except in accounting matters.

- (1) Project business policies and planning, wherever possible, upon a three-year period or longer as a unit.

**B.** Initiate research from the customer's standpoint to determine:

- (1) To what extent established lines should be replaced, improved or simplified.
- (2) What additional markets can profitably be penetrated with these lines.
- (3) What new products can logically be added for present and new markets.

Appropriations made for this research should be distributed over a long enough period to carry the project through without interruptions. (Some companies charge such appropriations to capital account just as they do the cost of a patent or a new building.)

##### Sales Control

**C.** Carry this long term planning into sales control, involving distribution methods, sales forecasting and pricing.

- (1) Revise present methods of distribution and service to conform to the best interests of the customer.  
(*Example*—establishment of retail stores by mail order houses.)
- (2) Prepare sales forecasts by products and by markets with regard to competition. (Leading institutions have found that modern sales forecasting can be correct within 2 to 3% for a year ahead and within 5 to 15% for three years ahead.)
- (3) Know costs and stop selling at a loss. Maintain firm minimum prices based on production costs. (Business history shows a high degree of prosperity among those companies, large or small, which have had the courage to stand on a minimum price that insured a profit.)
- (4) Plan sales organization, sales program and advertising on at least a three-year basis.

##### Production Modernization

**D.** Plan for uniform production as far ahead as possible on the basis of sales requirements already determined.

- (1) Modernize and replace every existing production facility, including plants, factory and office equipment and methods where it is possible to effect cost reduction and greater production flexibility. (Stores, banks, and offices have a production problem no less than factories.)
- (2) Do not expand production facilities in the mere hope for lower costs through larger production, but only where the long term forecast shows the necessity for additional facilities.
- (3) Base purchase of materials, supplies and equipment upon the marketing and production program for the three-year period and make purchases as far ahead as practicable.

##### Financial Policies

**E.** Stabilize financing. Working capital requirements for labor and material, and business capital requirements for development and expansion, can be determined with reasonable accuracy for a period ahead by long term planning.

- (1) Do not depend permanently upon bank credit for purposes other than short-term loans for current working capital. (In the interim partial payment financing of equipment, etc., is widely accepted as sound business practice.)
- (2) Raise needed fixed capital requirements by bond or stock issues whenever reasonably advantageous.
- (3) Invest surplus in short-term commercial paper or good bonds rather than employing it in call money or for purely speculative purposes.

Many of America's soundest corporations have adopted these financial policies.

## II—Coordination with Industry or Trade

**A.** The success of long term planning for an individual business is multiplied when similar policies are established throughout the industry.

- (1) Aid in the establishment and share in the active development of an industry, trade or business.
  - (a) to collect data on costs, stocks, production, potential productive capacity and market.
  - (b) to interchange credit information.
  - (c) to develop codes of practice.
  - (d) to take full advantage of legal trade cooperation.
- (2) Cooperate to establish standards of employment, salaries and wages within your industry where susceptible to advantages offered by a business where long-term planning gives stable employment.

## III—Promotion of National Prosperity

**A.** The net profits of a modern business depend not only on its own active business stability throughout the country. There is a vital responsibility upon every business enterprise to do its share to provide national stability of purchasing power through-

### Stabilization of National Purchasing Power

- (1) A policy for employment.
  - (a) Establish a minimum payroll based on the planned program of production and sales and maintain payroll as a fixed charge on the business. (*Example*—the Procter & Gamble plan.)
  - (b) Maintain a salary and wage scale that permits a high standard of living and thus of production.
  - (c) In slack periods, preserve the organization of trained personnel by reducing hours of work rather than reducing number of employees.
  - (d) Set up a reserve to protect the security of employment in times of reduced production.
- (2) A policy for dividends.
  - (a) Resist the temptation to pay out excessive sums in dividends in boom times. Rather build up a reserve and do not hesitate to use this reserve in slack times to maintain national stability of dividend disbursements. (*Example*—U. S. Steel Corp. policy.)

- (3) A policy for 1931 expenditures.

Business cannot return to normal until there is put into circulation for one year an amount equivalent to approximately \$300 per employed person over the amount spent in 1931. The initiative is to assume the responsibility of returning the country to normal then each business its quota. Where the volume of business does not warrant this increase in the form of money may be placed in capital expenditures—modernization, research for development.

**B.** Each business enterprise has a responsibility to aid in the development of national resources.

### Development of National Resources

- (1) Encourage and cooperate in the coordination and promotion of the economic area in which business operates by constructive programs for the improvement of agricultural, commercial, industrial and financial conditions. (*Example*—New England Council.)
- (2) Assist in the work of national associations devoted to the improvement of business ethics and standards in the commercial, industrial, financial and political administration of the country and of the laws governing business. (*Example*—Chamber of Commerce of the United States.)

## IV—Maintenance of World Business

Probably the greatest potential market for present and future American products is the field represented by the present difference between the living standards of the United States and those of a billion and a half people in many other countries. Any slight increase in the standards of these vast populations will bring immediate benefits to American manufacturers and largest producers of those commodities contributing to labor saving and luxury.

**A.** Support cooperative studies and formulation of world policies among business and international business organizations on such subjects as —

### International Business Cooperation

- (1) World tariffs.
- (2) Trade discriminations.
- (3) International movement of capital.
- (4) War debts and reparations.

**B.** Promote uniformity in foreign trade practice by encouraging coordination of business and industries.

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**B.** Each business enterprise has a responsibility to aid in the development of regional and national resources.

### Development of National Resources

- (1) Encourage and cooperate in the coordination and promotion of the economic area in which you are located through constructive programs for the improvement of agricultural, commercial, industrial and community development. (*Example*—New England Council.)
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