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HAVINGNESS

By L. Ron Hubbard

This article consists of selected excerpts of a 1961 lecture by Mr. Hubbard

Havingness can be defined as the ability to reach. Ability to reach equals the ability to have. If a person feels he can reach something—I know this is so elementary. That very nice little boy that was sitting down in front here a moment ago, he could tell me. That's right. Everybody knows that. If you can reach an apple, you can have it. If you can reach a cookie, you can have it. That's elementary, isn't it? Everybody knows that. Well, why didn't you tell me?

Now, a person has to have the idea he can reach before he can have. Now, it's the idea that he can reach, not the possession. The idea that he can reach, not the action of reaching, which remedies havingness.

This planet here is a very, very good example – an excellent example of all kinds of wild misconcepts on the subject of havingness.

How many times in the last couple of hundred years has somebody set out to have the world? Our last casualty in this line – a fellow by the name of Schicklgruber*, a house painter. Very interesting. His idea of being able to have was in direct ratio to the number of people killed. And I think he got rid of some 30 million human beings trying to reach Earth. But he knew that he couldn't have Earth so he had to actively reach with an overt*.

His only method of reaching was an overt: war. Many of his intelligence officers and political officers could have told him that Germany had rehabilitated herself by about 1936 and all she had to do was sit there and make cameras and putter with the chemicals, and she would have practically conquered Earth because nobody else was interested. But what did he do?

He had to get armed men to plunge out against the German borders to wind up – I think it was a – five gallons of gasoline and a small square of earth that he finally had. Quite interesting, wasn't it? His idea of reach was an overt. Why?

Because when one has withholds*, one can't reach, so therefore when one has withholds, one can't have. So one's only possible reach when one has withholds is by an overt.

Why do people commit overts? Because they can't have. Why can't they have? Because they have the idea they can't reach.

Insanity, the feeling of insanity, is the feeling that one must reach but one can't reach. One must withdraw but one can't withdraw. If you want somebody to feel how it is to be insane, have him get the idea that he must reach but he can't reach.

Well, what makes this condition? If one must reach but one can't reach, what is it that makes them feel they can't reach? Well, they must then have withholds. Because nobody else is telling them they can't reach, so they must be telling themselves. Well, how are they telling themselves they can't reach? By having withholds, of course.

And the surest way in the world to run one's havingness out the bottom is to have a nice, handsome pack of withholds. Go out and commit a bit of a flub* and then don't tell anybody about it and you have just a little less of this planet. And then go out and commit another flub and then carefully don't tell anybody about that. And you have just a little bit less of this planet.

Now, we see the overts so they appear to be very spectacular because they're quite visible. Actually, they're not as serious in deranging the mind as the withholds which follow them. So the fellow has the overt and everybody can see the overt, but then some part of it he withholds.

Now it isn't that the overts are unaberrative* because it's the overts and the shame of them and the overt act mechanism and all of that which then brings about the feeling that they just have to withhold themselves from doing that again. But it's the feeling they've got to withhold themselves from doing it again that drives them around the bend. Not that they knocked Uncle George over the head with a baseball bat, but it's the feeling they must never again touch a baseball bat because they might knock Uncle George over the head.

Well, of course, there were withholds that preceded knocking Uncle George over the head with a baseball bat because that, of course, was an overt action so it must have been preceded by withholds.

So criminal actions always follow a sequence of withholds. A gradient scale of withholds becoming larger and larger and larger eventually result in a criminal action. And that has filled the prisons of Earth. The criminal can only have by committing an overt. And we have carefully educated them into that and followed it along the line.

And you always have trouble with anybody that you have prevented too thoroughly from reaching. Why? Because that's no havingness.

The way you create the condition of no havingness is the prevention of reach. All you have to do is prevent a reach and you have brought about the condition of no havingness. Therefore, you have brought about a condition where an enforced withhold has been put in and the person will then get other withholds on their own, which are much more aberrative to them, you see – the “must reach” – the “must be prevented from reaching,” you see.

If you don’t pull the withholds, nothing is permanent. Everything slumps because the havingness runs down.

Well, more graphically, you stand back of the guy and you kick him and you say, “Go forward.” And then you have a big, strong elastic belt around his waist and you kick him and he goes forward; and then, of course, the belt tightens up and he flies backwards.

And you say, “What are you doing back here?” And you feel very upset with this fellow for not having gone forward and you kick him again, this time harder. And he goes forward a few feet and then he springs back in your lap again, so you say something has got to be done about this.

And you get somebody else to kick him harder. And then by the time you’ve brought in baseball bats and you’ve dreamed up large pneumatic motors that put out pneumatic hammers that push him forward and keep him out to the extreme end of the belt, you have now invented psychiatry. That’s right.

I’m not hard on psychiatry. I actually take it much easier than I should. But there – there’s pure idiocy, of course. The fellow’s withholds are going to bring him back. And that’s it because his havingness goes down because the withhold tells him he can’t have anything. And he can’t have the gain he’s making. He can’t have more in life. He can’t have a better view of things. Don’t you see?

The truth of the matter is that the individual cannot have a greater ability as long as he is withholding.

Now a person is as well off as he can reach. He is no better off than he can reach. That is it. The character of his reach is monitored* or the quality of his reach is monitored or established or becomes the belief, the limit of the belief of reach.

In other words, as we go down scale – as a person is unable to reach – the savageness of his reach increases. And then below that level, the covertness of the reach sets in and increases. And this ability to reach, oddly enough, suddenly becomes our old Tone Scale. And what do you know? The thing’s right. Quite amazing. It is in its proper perspective, but it is the index of reach. There might be some things that could be adjusted slightly in it to make it absolutely on the button*; but the thing was right from the start, which is quite a triumphant extrapolation way in advance of an actual datum. The ability to reach or the quality of the reach – these two things are monitored one way or another.

As a person has an ability to reach, as the ability to reach improves, the quality or tone of the reach improves. And as the reach deteriorates and the ability of the reach deteriorates, the quality of the reach deteriorates.

Just get off your withholds. And all of a sudden, why, you'll reach further and you'll reach further. And the quality of your reach, of course, is better and the quality of your reach is better. And your tone comes up and you can reach further. And there it is. And that's all the explanation there is to it.

I mean, it has no moral values or immoral values or anything else. But you find out a fellow with all the withholds off, of course, becomes a very dangerous person – extremely dangerous – because he has a high-toned reach and his intentions are good. And he does reach. And he's *very* dangerous to people who wish to mess everybody up. See how dangerous he is? Because he reaches them and they can't mess people up, he actually prevents their reach.

Your command value is totally dependent upon your ability to reach. Factually, altitude is totally dependent upon the ability to reach. It's worked out that way. It's basically the ability to reach. It's quite curious but you could land on a planet, total stranger; and if your ability to reach was excellent, you would have both altitude and command value. Not through your reputation. A reputation and an identity is a substitute for command value.

I go out and talk to people out in the sticks* someplace – never heard of me, nothing like this and – just turn around and ask me what to do. Why? I don't have any overts on them or withholds. And you'd do the same thing. It's not even any trick involved to it. You talk about dissemination*. Wow!

You have failed to disseminate and pass on ideas and betterment to people to the exact degree that you had withholds. Isn't that horrible? That's accusative, isn't it? Makes everybody guilty, doesn't it?

So we come right back to methods we've got but with the understanding of why a withhold is so deadly: because it cuts down the person's havingness and will never let the havingness restore.

When you were young, the world was bright. What has happened since? Same world. You've got the same eyeballs. Must have been that between then and now, you have accumulated some withholds and prevented a few people from reaching. And that is about all there is to it. It's as simple as that.

Perhaps you didn't suspect before this hour that the withhold was connected with the Havingness and I must confess to you that neither did I until a couple of days ago. I didn't know that they were intimately related. They are sufficiently intimately related, however, to be practically the same thing. A no-have equals a withhold. A withhold equals a no-have. A no-have equals aberration. A no-have or quality of no-have equals the quality of reach or the lack of it and gives you the tone of the person. It's as easy as that.

Dissemination: Spreading or scattering broadly. (One could disseminate ideas, information, etc.)

Flub: A mistake or error.

Monitored: To regulate, as in the controls on a machine.

On the button: Exactly right, precise.

Overt act: **1.** A harmful act or a transgression against the moral code of a group. An overt act is not just injuring someone or something, it is an act of *omission* or *commission* which does the least good for the least number of people or areas of life, or the most harm to the greatest number of people or areas of life. **2.** An intentionally committed harmful act committed in an effort to resolve a problem. **3.** That thing which you do which you aren't willing to have happen to you.

Schicklgruber: Adolf Hitler's grandfather's last name was originally Schicklgruber. It was later changed to Hitler.

Sticks: An area far from any large cities, usually rural or underdeveloped.

Unaberrative: *Aberration* is a departure from rational thought or behavior; irrational thought or conduct. *Aberrated* conduct would be wrong conduct, or conduct not supported by reason. *Aberration* is opposed to sanity, which would be its opposite. Something which was *aberrative*, would cause or create *aberration*. Therefore something which was *un*aberrative, would *not* cause or create *aberration*.

Withhold: An unspoken, unannounced transgression against a moral code by which a person is bound; an overt act that a person committed that he or she is not talking about. Any withhold comes *after* an overt act.

MONEY AND ATTENTION

By L. Ron Hubbard

Excerpted from a lecture given in 1953

I tell you something very funny: Money is an attention unit*. A crown*, a dollar, a mark, a franc is simply an attention unit. And do you know that money can be regarded as attention? And it follows exactly the laws of attention. Isn't that peculiar!

Well you as an individual will make as much money as you attract prosurvival* attention. You can plot how much money any man is going to make just with that.

Money *flows* toward points which attract prosurvival attention. All you've got to do is stand up there and keep on being prosurvival, and be prosurvival in a widening communicating sphere and you will just have to start throwing this stuff away! You just turn your back on it. It gets a little bit tough after a while. You just have to turn your back on it because money gets you in trouble faster than anything I know. More people start jumping you the second that you – they think you've got a few bucks. It's wonderful. I mean, insurance brokers – all your time's taken up with trying to fight off securities salesmen, if you've got money.

But this is something you kind of ought to put down. You make money as much as you get attention, and you get as much attention in a society, as far as you put your communication lines out. And if you don't put your communication points out in a society, there isn't any flow-in in terms of money. That answers the buck, but it answers something else at the same time. It tells you to put out those communication lines. Put them way out.

Attention Unit - A quantity of awareness existing in the mind in varying quantity from person to person.

Crown - A former coin used in Great Britain.

Prosurvival - "Pro" meaning "for" or "in favor of" survival. A prosurivival action or activity would enhance or contribute to the survival of oneself and/or others. It would be constructive. As opposed to "Contrasurvival" (contra meaning "against") which would be destructive towards oneself and/or others.

MONEY

By L. Ron Hubbard

So you think the Gross Income* should be higher.

So you wonder why the staff isn't paid better.

In order to successfully solve these riddles it is necessary to know something about MONEY.

Basically *money* is an "an idea backed by confidence."

The idea is that the exchange of goods or services kind for kind is too clumsy. To carry your dozen eggs all over town until you find someone who has bread he will exchange for your eggs so you can have bread is too clumsy. That is called a "barter (trading) system" and is used in primitive tribes. To solve this, men get the idea of making metal or slips of paper represent the eggs and the bread. Thus you don't need to look all over town. Anyone will buy your eggs that wants eggs and give you money and anyone who has bread will accept money for it. Like: one money particle is worth five loaves of bread or one dozen eggs or two hours of manual labor or one booklet or a square inch of land or – or – or.

Confidence comes in that the money particle (piece of metal or paper or some such symbol) WILL be further accepted after you have accepted it for your eggs. This extends to confidence in the country that issued the coin or the paper.

As metal has other uses – gold, silver, copper, bronze – it is more likely to have confidence placed in it as the country could go broke and one would still have his metal. With paper one has to have more confidence in the country.

So MONEY is only something that can be exchanged confidently for goods or services. It is a symbol which represents value in terms of goods or services.

When money is paid out without buying value (as in welfare handouts or war materials or bad stocks or just a promise with no backing) it itself gets into trouble. It begins to buy less because it no longer represents production or services or value.

When one begins to receive and spend money he gets into a field known as ECONOMICS.

To understand money one *mus*t understand economics. Or he'll be made a fool.

ECONOMICS

ECONOMICS in modern language means "the social science that studies the production, distribution and consumption (using) of commodities (things)."

If you like money or want money or use money you cannot remain ignorant of "economics."

The reason Marx* and socialists in general can fool everyone is that there are very few people who know economics and economics itself is not a science but a primitive art. So just as you may stumble on this word "economics," so can the supertotalitarian* socialists make whole societies stumble and fall into their hands.

The word originally meant "the science or art of managing a house or household" and that is still its first meaning. From this grew up a study of the whole community as a connected activity.

Remember, *money* represents *things*. It is a substitute for goods and services.

What governments, people and even some companies can't get understood is that NO PRODUCTION = no money.

If one performs a valuable service *and* exchanges it for goods, he does so through the item of *money*.

Production can mean producing a service or an item that can be exchanged for goods and services.

If an activity does not produce *and* deliver *and* exchange with other activities, no money is possible.

Example: Lack of good Division 6s* (Public Division) in organizations makes it impossible to *exchange* with the community. Equals no money.

This is what is behind low gross income.

The steps to take are, get the organization so it can produce a valuable service in some volume and then *exchange* through Division 6 contacts that service with the community for *money*. Then increase the volume and quality of the service and increase the exchange through more Division 6 contacts. That builds up to a big Gross Income that will continue to be big and not slump.

As soon as one ceases to deliver the service the *exchange* breaks and the Gross Income collapses. No matter how hard you *sell*, if you don't deliver, you get into trouble.

The staff member, as part of the organization, may think his pay comes from mysterious places. It does not. It comes from his own personal production.

The combined services of staff members give the organization the valuable final services it can exchange for *money*. If it does this, then the staff member gets paid and cared for.

It is up to Division 6 to build up a DEMAND for the services and a volume of people who then demand the service. It does this with surveys of what the public will buy that the organization can offer. It then makes the public aware of this by ads and contacts. The public comes in and pays. The rest of the organization keeps itself functioning and delivers it.

That is really all there is to it.

When you see a staff unpaid or an organization not very solvent, it is the data above that is not grasped.

When you see an organization solvent and its staff well paid, then the majority there have grasped this and are doing it.

When they do it well enough and in enough volume, they control more and more goodwill and expand.

People today are very badly taught on this subject. All money comes from daddy. Governments roll it out in endless streams (and the currency becomes worthless).

It's no wonder people believe in "luck" as the only thing that makes them rich and powerful. Or some wild idea that was never tried and would be a flop.

The truths of wealth are:

Income of money on sales must be greater than outgo on bills.

Organization services and products must be sold for more than they cost the organization to produce or buy.

Money is simply that which represents delivered production.

Money does *not* equal morale. The idle rich are a wonderful study in psychosis.

And welfare money degrades because it is not exchanged for delivered production.

These are all factors in economics.

The way to good pay is an understanding of the subject as above and the work necessary to make it so.

Supertotalitarian: Totalitarianism is a repressive form of government in which power is held by one political party who seeks complete control over the lives of their people, using such tactics as vastly restricted personal liberties, censors, secret police and banning/limiting of assemblies or meetings and the like. The prefix “Super” means to a great degree or excessive.

Marx: Marx, Karl: (1818-1883), German political philosopher whose works formed the basis of twentieth-century communism.

Division 6 (The Public Division): One of the divisions (part/section) of the seven division organizing board system. Division 6 through all of its activities, brings knowledge of and distributes the organization’s services and products to the broad public. It keeps the new people (clients) coming in, businesses continuing and expands an organization.

Gross Income: Gross income of the organization is the total amount of valid collections (cash, checks, money orders, bank transfers received, etc.) representing actual money received in the organization, either in the mail or over the counter collections.

EXCHANGE

By L. Ron Hubbard

So many tricks have been entered into economic systems, and so many political fixations exist that a manager is often very hard pressed trying to bring about solvency for his activity.

Money can be manipulated in a thousand different ways.

There are "speculators" who seek to buy something (like land) cheaply and sell it dear. Or sell it dear, depress the market and buy it back cheaply. In either case they make a profit.

It is less well understood that "speculators" also operate on the subject of money itself. By manipulating the value of one currency against another they seek to obtain a profit. This is the "international banker" at his daily work. He buys a hundred billion French francs for x dollars. Then he causes a panic about dollars. The franc gets very valuable. He sells his hundred billion French francs for 2x dollars. Then he says dollars are great. He has "made" a huge new lot of dollars for himself.

Or he finds a crummy politician like Hitler, builds him a war machine, gets paid back out of the plunder of Europe before Hitler collapses.

The banker loans George Manager 100,000 to modernize his plant. George wanted 200,000. But he takes the 100,000. The banker holds the whole plant as security. George doesn't make it as it really took 200,000 to do it. He goes broke. The banker grabs the 5,000,000 plant. This includes the 100,000 now spent on new machines. The banker sells it to a pal for 2,500,000 and makes that sum on his "loan."

The shareholders of a Bide-a-Wee Biscuit are told Bide-a-Wee is busted. The stock falls. A group buys the stock up for peanuts, emerges as the owners of a Bide-a-Wee which turns out not to be busted.

All these and a thousand thousand other systems for making money, indulged in too often, spoil CONFIDENCE and destroy money.

Eventually a whole religion like communism will grow up dedicated only to the destruction of capitalism. What has been dropped out is the idea of EXCHANGE.*

Money has to *represent* something because it is not anything in itself but an idea backed by confidence.

It can represent gold or beans or hours of work or most anything as long as the thing it represents is real.

Whatever it represents, the item must be exchangeable.

If money represents gold, then gold must be exchangeable. To prove this, the moment gold couldn't be individually owned, the dollar, based on it, became much less valuable.

There has to be enough of the thing that money represents. By making the thing scarce, money can be manipulated and prices sent soaring.

Economics by reason of various manipulations can be made into the most effective trap of the modern slave master.

Periodically through history, not just in current times, monied classes or those believed to control money have been torn to bits, shot, stoned, burned and smashed. The ancient Pharaohs of Egypt periodically lost their country through tax abuses.

Money, in short, is a passionate subject.

Modernly, the lid is coming off the economic pot which is at a high boil.

Too many spectators, too many dishonest men generating too much hate, too many tax abuses, too many propagandists shouting down money, too many fools, all add up to an explosive economic atmosphere.

A group has to be very clever to survive such a period. Their economic arrangements and policies must be fantastically wise, well established and followed.

As it exists at this writing, the only real crime in the West is for a group to be without money. That finishes it. But with enough money it can defend itself and expand.

Yet if you borrow money you become the property of bankers. If you make money you become the target of tax collectors.

But if you don't have it, the group dies under the hammer of bankruptcy and worse.

So we always make it the first condition of a group to make its own way and be prosperous on its own efforts.

The key to such prosperity is *exchange.*

One exchanges something valuable for something valuable.

Our training services are valuable. Done well, they are priceless.

In many ways an exchange can occur. Currently it is done with money.

Training is the substance we exchange for the materials for survival.

To *exchange* something one must find or create a *demand.*

He must then supply the demand in EXCHANGE for the things the group needs.

If that is understood, then at once it is seen that (a) a group can't just service or train its own members and (b) a group cannot give its services away for nothing and (c) the services must be valuable to those receiving them, (d) that the demand must be established by surveys and created on the basis of what is found and (e) that continual public contact must be maintained.

Thus, by bringing the problems of viability* down to the rock-bottom basics of *exchange*, one can cut through all the fog about economics and money and be practical and effective.

If one is living in a money economy, then bills are solved by having far more than "enough money" and not spending it foolishly. One gets far more than "enough money" by understanding the principles of EXCHANGE and applying them.

In another type of economy such as a socialist state, the principles still work.

The principles of exchange work continuously. It does not go high and collapse in speculation or demanding money but failing to deliver. Or delivering and not demanding money.

We see around us examples that seem to violate these principles. But they are nervous and temporary.

What people or governments regard as a valuable service is sometimes incredible and what they will overlook as valuable is also incredible. This is why one has to use surveys—to find out what people want that you can deliver. Unless this is established, then you find yourself in an exchange blockage. You can guess, but until you actually find out, you can do very little about it.

Once you discover what people want that you *can* deliver, you can go about increasing the demand or widening it or making it more valuable, using standard public relations, advertising and merchandising techniques.

The fundamental is to realize that EXCHANGE is the basic problem.

Then and only then one can go about solving it.

Exchange: Generally, the barter or trading of money, property or services in return for like rewards of equal or similar value.

Viability: Viable means, capable of supporting itself and thus staying alive. If an organization or activity is viable, this would mean what it produces on its own (not subsidies), is enough to sustain its continued existence as well as potential growth. Viability would be defined as "capable of living or growth."

EXCHANGE, ORG INCOME AND STAFF PAY

By L. Ron Hubbard

It is of interest what really underlies org* income and staff pay.

There is a term used in business called "fair exchange."

Let us apply this to an activity engaged in servicing the public.

We could isolate four conditions of exchange*.

1. First consider a group which takes in money but does not deliver anything in exchange. This is called rip-off. It is the "exchange" condition of robbers, tax men, governments and other criminal elements.

2. Second is the condition of partial exchange. The group takes in orders or money for goods and then delivers part of it or a corrupted version of what was ordered. This is called short-changing or "running into debt" in that more and more is owed, in service or goods, by the group.

3. The third condition is the exchange known, legally and in business practice, as "fair exchange." One takes in orders and money and delivers exactly what has been ordered. Most successful businesses and activities work on the basis of "fair exchange."

4. The fourth condition of exchange is not common but could be called exchange in abundance. Here one does not give two for one or free service but gives something more valuable than money was received for. Example: The group has diamonds for sale; an average diamond is ordered; the group delivers a blue-white diamond above average. Also it delivers it promptly and with courtesy.

Now, believe it or not, org income and staff pay depend upon which of the above four exchanges is in practice by (a) the org or group, or (b) the staff member in the group.

If #1 is in vogue, income will dry up with a thoroughness you wouldn't believe. Although the TV and movies try to tell one that robbery is the only way to get rich, this is not true. Those who engage upon it, whether they be stickup men, corporate con men or governments, are not long for this world. The bigger the group, the longer it takes for it to fall, but fall it assuredly does. And the individual who takes but does not give ends up with a deep-six* in many ways quite rapidly.

The second condition of partial exchange can only keep a group or individual going just so long. The end result is painfully a demise of status or position and, most certainly, income. Many "third world countries" and even the bigger ones are in the plight right now. They take in but do not really produce or give. This is what inflation is all about. The unemployment ranks are full of such.

The third condition of "fair exchange" gives one a rather level progress. It is considered "honest," is socially acceptable and very legal under law. It does not, however, guarantee any expansion or improvement of a group or the lot of a person. It is barely comfortable.

The fourth condition is the preferred one. It is the one I try to operate on ` and have attempted to for ages. Produce in abundance and try to give better than expected quality. Deliver and get paid for it, for sure, but deliver better than was ordered and more. Always try to write a better story than was expected, always try to deliver a better job than was ordered. Always try to – and deliver – a better result than was hoped for.

This fourth principle above is almost unknown in business or the arts. Yet it is the key to howling success and expansion.

It is true for the organization, it is true for the individual staff member.

Where a group is concerned, there is another factor which determines which of the four above is in practice. It is group internal pressure. Where this only comes from executives, it may not get activated. Where it comes from individual group members in the group itself, it becomes assured. The internal demand of one staff member to another is what really determines the condition of the group and establishes which of the four conditions above come into play.

Thus the organization collectively, in electing which of the four principles above it is following, establishes its own level of income and longevity and determines its own state of contraction or expansion.

While this is a must in an executive – to establish the principle being

followed – the real manifestation only occurs from pressure by individual staff members or other within the group.

Unions and workers in the auto industry elected to follow #2 above. This brought about the decline you see in auto companies. Had they elected to follow #3 they would not be in trouble. Had they elected to follow #4 they would now be in clover for the world today does not really have a truly good, economical, wreck-free car.

It is up to the individual staff members in a group what the org income is and what their own staff pay is. The organization cannot earn more and the individual staff member cannot be paid more than will be established by which principle above they elect to follow.

If they follow #3, they will get along. But if they follow #4, they will really flourish and prosper. And it is the only one which guarantees expansion.

Exchange: Generally, the barter or trading of money, property or services in return for like rewards of equal or similar value.

Org: Short for Organization.

Deep six: To be buried at sea or in a grave (as the conventional depth of a grave is/was six feet).

PRODUCTION AND ONE'S STANDARD OF LIVING

By L. Ron Hubbard

"Standard of Living" can be defined as the relative quality of a person's or group's possessions, quarters, food, equipment, tools and conditions of their area of work and existence. It is the state of the person's living, including working, environment. Where its potential continuance exists, it is related to survival. It is a basic natural economic law that personal production of VFPs* and one's standard of living are intimately related.

This applies to the individual as well as the team.

Where violations occur, inequities exist.

At a personal level one must produce in excess of his standard of living just to retain and maintain it.

Actually the "excess" means that because of overload, taxes, services, plant, utilities, raw materials, machine and other costs additional to his own work sphere, a person cannot expect to get the full value of his VFPs all to himself. That is not economically feasible. The "excess" varies from post to post and job to job but is never less than 5x minimum. In industry it is considered to be at least 10x to maintain company standards and solvency. The "excess" can be very high indeed in some industries. But in any case any idea that it should be one-for-one is fatal. People who know little of economics or management sometimes propose a worker should get the full value of his VFPs – but all work and all VFPs require support services and to neglect these would quickly bring on poverty. Even when working for oneself alone these "excess" factors exist and seldom drop below 5x as one still requires support services. Corrected gross income* divided by staff has to be at least 5x the cost of the standard of living of the individual staff member for that standard to be barely maintained. This does not mean staff pay should be 1/5 of that figure. It means that all the things (pay included) that go into maintaining their welfare and work environment would have to be covered by 1/5 of that figure. A fairly efficient and prosperous organization with a hatted, industrious, gung-ho* staff can very easily maintain quite acceptable standards at 1/10 that figure. The actual cash value of every piece of work done by a person can actually be calculated. It is intricate and tricky to do and much subject to over and under estimation but it can be done. It is not vital to do this but one might just be curious about it. If so, do it for yourself. Thus VFPs can be priced against what they bring in as part of the overall scene even when they seem indirect. All the above figures are very rough and subject to variation but this gives you some idea of what is meant by "excess" in that law.

Where a number of people in a group or on a team do not produce VFPs in excess of their standard of living, they depress the standard of living of the group or team.

Where some in a group do not only produce VFPs but produce overt products*, they actively depress the standard of living of everyone in that group or on that team.

Many economists and theorists seek to avoid that law. They do it to gratify politicians or aggrandize* some false philosophy whose true purpose is suppression under other colors. But the law remains and its violation breeds an epidemic of economic ills. Amongst such ills are inflation, superbureaucracy, chaos with the marketplace and a decay of the civilization.

When a whole society demands a high standard of living and yet doesn't concentrate on the personal production of VFPs, it is finished.

Products are the basis of a standard of living. They don't appear from midair. They come from work truly done. Not from hope or false data.

It is a druggie's dream that machines, computers, under the dictatorship will do it all. Machines can raise a standard of living by assisting in production. But they can't do man's living for him. Intelligently designed and used they permit, within limits, increases in population. But machines are just tools. They have to be thought up, designed, built, run and serviced and their raw materials and fuel have to be found and delivered and their products promoted, delivered, used and often in their turn serviced. The machine age was actually recognized as failed when world leaders first began to urge population reduction on the planet to "improve the individual standard of living." If machines were going to solve it all, why is the civilization now in such a steep decline? It took producing men *working* in and with a machine age to make the society go. Not idle mobs on welfare expecting a high standard of living while a few guys work their guts out. Pie in the sky* is nice but did anyone ever get to eat it? This misinterpretation of the machine age was a heavy violation of the above economic law. But the real harm of the machine age was creating a false belief that one did not have to produce much to survive. This lowered people's estimate of how much they would themselves have to produce to survive, much less have a high standard of living. Factually one normally has to work fast and expertly and in high volume to bring about any acceptable standard of living for himself and his group. This is a point the machine age obscures. But it remains vividly and demonstrably true.

An executive who works hard yet wonders about his own low standard of living should look over his people to find those who are not producing VFPs or who produce even overt products while yet demanding a living. *They* are absorbing the potential raised standard of living of the group.

Where a group has a very low standard of living, it need only review the above law and its potential violations to understand why.

One cannot, in fact must not, increase the standard of living of a group in ways that violate the above law. It will eventually bring calamity on that group.

In a society led astray by crackpot* economics, violations of the above law create a vast number of wrong examples. The rich (most of whom work like mad) are seen as idle or even criminals. The best way of life is made to appear to be idleness. One seems to be owed a living without any effort on his own part. The producing worker should be fined by higher taxation. These are not seen to be simply false data spread about to wreck the place but are held as "truths." And in their wake comes a funeral for that group or society.

There is even an economic theory spread about today called "equalitarianism." It declares everyone should get the same pay and have the same standard of living. It does not mention that anyone should do any work. It holds that the better worker should not be better rewarded. It would crash any society.

Then there is the "monetarist" who believes you can manipulate a whole society with money alone. And no thought of any production. His answer to production? (You won't believe this.) Decrease demand! In other words, reduce everyone's standard of living!

Basic economics eventually catches up with all these weird false pretenses. It may take time but, as in the law of gravity, the apple eventually falls no matter how many crackpots advance theories to say it can't fall, will go up or vanish. Real basic economic laws are like that. They catch up. So don't wonder about inflation and depression and decayed civilizations. Basic economics caught up with the crackpots.

An executive has to pay attention to the basic law about a standard of living. If he doesn't pay close attention to it, the standard of living of himself and of his group will cave in.

He can be "a good fellow" and seek popularity by attempting to raise the standard above what is earned. He and his group will crash.

He can be foolish and seek to raise his own rewards above what he personally is earning in terms of VFPs. But both he and his group will fail.

He can ignore the real producers of the group and not see that their standard of living is comparable to their individual production. And he and the group will fail.

He can ignore the nonproducers and the overt product makers and, by so ignoring them, tear his own and the group's standard of living to bits.

He can listen to a bunch of PR from a staff member about how valuable that staff member is and surrender to it without ever really counting up the real VFPs that staff member is not producing (or even preventing). (It happens.) Only real VFPs count.

He can work himself half to death without demanding production from others and have his own standard of living crash.

There are swarms of false data flying about today on this subject. It is taught in schools, the very best schools; it is heard on the radio and seen on TV and in the papers. The civilization, as it caves in, is blinded by literally thousands of false ideas about what and how a standard of living occurs. These, where they conflict with the basic law, actively prevent one from prospering as they blind him to the truth of his scene.

The standard of living of an executive, a management unit, an organization or a staff member is determined by that one basic economic law: The personal production of VFPs for the group and one's standard of living are intimately related.

Aggrandize: To make something appear more impressive, important or greater than it actually is.

Corrected Gross Income: Would be the Gross income (total moneys collected) figure minus, *non-income* funds. In other words, money taken in that is not "spendable" on normal company expenses. Things such as sales tax, bounced checks, credit card merchant charges and any franchise or royalty fees (if assessed as a percentage of income) as applicable.

Crackpot: 1) Describing something that is crazy, silly or foolish. 2) a strange, mentally unbalanced or deranged person.

Gung-ho: Very eager and excited to do or partake in something. High spiritied.

Overt Product: A bad product that will not be accepted or cannot be traded or exchanged and has more waste and liability connected with it than it has value.

Pie in the sky: Describing something that is unrealistic, outrageuos and unlikely to be attained.

VFP (Short for Valuable Final Product): Something that can be exchanged with other activities in return for support. The support usually adds up to food, clothing, shelter, money, tolerance and cooperation (goodwill).

BEAN THEORY
FINANCE AS A COMMODITY*

By L. Ron Hubbard

The allocation paid out by Finance* to an organization or activity must *BUY SOMETHING*.

It buys more funds back from the activity than it paid out and it buys the production of that activity.

Finance is best understood as a COMMODITY in terms of beans.

So many beans issued to an activity and so many more beans back.

Beans do not magically materialize into more beans. What brings back more beans for those issued is the PRODUCTION and INDUSTRY of organization's staff and how wisely the beans are allocated.

Even the interest one earns on a bank account is earned in fact by someone's production and ability to get more beans out of an activity than are put in.

Where Finance uses its beans to buy production and industry and projected income at a cost which requires the activity to be viable it gets back more beans and a raised allocation–production ratio.*

The first rule of Finance and any activity is INCOME GREATER THAN OUTGO.

Where Finance can skillfully apply this to the divisions* and personnel of an organization as well as the organization as a whole, the additional beans materialize because what is bought is production and the products which add up to the product of raised income and viability.

PRODUCTION

Activities that allocate by need and fail to force and pay for production are the basis of failed economies and welfare states.

"We need …" is taken by Finance with a yawn unless followed at once by a projected resulting valuable product or income realistically planned and immediately in view.

Finance allocates against proven production and projected income.

The CFO* looks at where the beans are going and what income and production they are buying.

When he finds that the beans issued to an area or division are not buying production or income he designates a cap-in-hand* status to *that* area and the beans issued become those essential to product only until the product emerges in the expected volume and quality.

One organization with a soaring payroll particularly in the Production Division* while producing only one-fifth of what it should have, had all on full pay and bonuses. The organization had finance troubles and found sums needed to promote absorbed instead by high payroll.

How? The organization was on fixed pay (high) and gave only small production bonuses, obligating a high payroll expense without regard for production.

Other errors aside, the Finance error is an absent demand that the beans issued to that area buy more beans or valid full capacity production.

A reversal of this, setting low basic pay and high production bonuses, would have bought *production* for the beans issued and where there was no production would have issued no beans or a bare minimum.

INCOME SOURCES

The apparency that income sources devolve* upon certain single portions of an organization leads Finance into difficulty unless the products* and subproducts* of the organization and its divisions are fully grasped.

The tracing and reinforcing of income sources, while a necessary and vital action, falls far short of the total action of Finance in its investment of beans.

A company receiving income only after the fact of delivery would appear to an inept or unfamiliar Finance person to have DELIVERY as its major income source. If Finance then seeks to raise income by forcing all beans into stepped-up delivery while neglecting the prior promotion and sales, there is soon no demand and nothing to deliver and NO BEANS.

Income sources traced superficially to SALES expertise alone, neglecting promotion and delivery again gives NO BEANS.

A Finance person seeing sales expertise as the company's immediate and major income source quite rightly issues more beans to sales. But if he leaves promotion and delivery underfinanced, sales suddenly finds itself selling an unknown product due to absent prior promotion, and sales made go undelivered or poorly delivered or even refunded.

Finance tracing income sources to promotion alone and neglecting to follow up with sums to sales and delivery gives the same result.

Thus, in addition to organization income sources, Finance and organization managers must know the valuable final products and subproducts of the organization and its divisions and posts in order to wisely allocate funds.

COSTING

Income greater than outgo applies equally to each division and person in an organization.

If Finance is fully familiar with the products of divisions and key posts of an organization and their costing and value to the completed organization product and expected volume or capacity, it can skillfully apply income greater than outgo individually to each.

An organization has valuable final products* for which it collects income.

Each division and area of the organization has a product or products which contribute to the whole action which gets the organization product promoted and delivered and the income collected.

How much it costs to produce how much product is the COSTING of a division or organization or post.

It is not always possible to determine how much *income* a single post or division contributes to the whole activity.

But one *can* know to what degree a subproduct is vital to the delivery of the organization's valuable final product and one can know how much it costs to produce it. And one can expect each area and post to be productive and viable as a single activity.

Costing to be real must also take into account the expected CAPACITY or IDEAL SCENE of the activity.

A plant producing at half capacity yet fully manned and running at full expense gives a product which costs twice what it should if the activity is to be fully viable and profitable.

A costing of the Production Division described above would show that with production at one-fifth capacity, its product cost five times what it should cost to be viable as an activity and profitable to the organization.

Thus, funds allocated to an activity by costing alone will not buy or ensure production or return more beans.

If one were allocating beans by income and products, he would have to consider the COSTING of each product, the importance of each product (how vital it is to the valuable final products of the organization) and the expected capacity or volume of each area.

One could juggle these about and assign an allocation value to each product and subproduct and key statistic.

So many letters out, so much bulk mail out, so many products produced or services completed = so much allocation.

Under such a system the CFO would get production and more beans back for the beans put in.

The Executive Council doing financial planning (FP) on such an allocation would shortly see what underproductive areas were causing a reduced allocation and would pound those areas to produce. Likewise, the activities of productive divisions and areas would be reinforced by the FP body.

What accomplishes this is NOT Finance acting as organizational management, but Finance applying income greater than outgo to each division and area of the organization and handling money as a commodity of which one issues so much and gets so much more back.

Finance becomes organizational management only where it ceases to handle finance as a commodity like beans and where organization managers themselves fail to grasp and understand financial realities.

LOST INCOME

Financial planning is how one uses the funds one has to keep things running well and make more income.

There is some degree of loss in a failure to prevent unreal and unprofitable expenditure.

Organizations and FP bodies are sometimes improvident* in their planning and Finance people are alert for this and have to be because they quite rightly expect beans back plus more for beans expended.

But the greater loss to Finance is income lost or never made.

The difference between what an organization should be making and what it does gives Finance greater loss than any FP saving could ever recover.

Foolish or unreal expense is prevented because it's a poor investment. But an organization of $50,000 income potential making only $20,000 is a weekly loss of $30,000 to Finance.

An organization stacking up thousands in collected but undelivered services gives Finance a potential and staggering loss in sums refunded.

An organization seeking to save ten shillings* while neglecting to develop and boom a continent doesn't make sense.

One knows the income sources of the organization cold and one knows what subproducts promote and sell and deliver and collect income.

One puts finance as a commodity first and most into these and never saves on them except to raise the viability of a vital division or area not producing well and then only to raise production.

One seeks new income sources and means while reinforcing those already successful and reviving any no longer current.

One gets sums already owed to the organization collected with industry and in high volume.

One handles emergencies by making more money and has lined up three or four valid income sources each and any one of which would provide the needed funds.

One uses beans to buy raised income and production and refuses to finance nonproduction or fruitless expense.

One knows cold the costing of vital and other organization products and demands full capacity production and viability and income greater than outgo of each division and area and post of the organization individually.

One predicts and plans for expansion occurring and the future adequacy of materiel and quality of delivery before the sudden absence of adequate staff or delivery facilities becomes a screaming urgency.

And one knows that more profit can be lost than ever could be saved on expense.

Money is a commodity.

It is subject to certain realities. Its realities apply to the whole organization and equally to the divisions and persons in the organization. Its realities have to be fully grasped by Finance and FP members and organization managers.

Handled by Finance people as a commodity of which one always gets back from an area more than went in, it brings raised income, expansion and reserves.

Allocation-production ratio: Allocation-production ratio computed as follows: Total amount actually spent in the previous week (not just set aside) on marketing and promo measured against the total organization gross income for the current week. It reads as a ratio so that the allocation is always 1 and the production figure varies according to its relationship to the allocation. (E.g., allocation amount equals $2,000.00 and GI equals $20,000.00 so the ratio is 1:10.)

CFO: Chief Financial Officer. An officer of an organization who is responsible for ensuring the financial viability of that organization.

Commodity: A thing of use or value; specifically a thing that is an object of trade.

Devolve: To transfer or delegate to another.

Divisions: One of usually seven major areas of an organization that is responsible for one of the major functions of an organization. Each division has a specific area of responsibility to create the company's or organization's final product. Organizational divisions would usually be (in order): Establishment, Sales and Marketing, Finance, Production, Quality Control, Expansion and Executive.

Finance: Finance Office. The area of a business concerned with maintaining the inflow of money greater than the outflow and with the management of money.

Production Division: The division of an organization concerned with production of the company's product or service. For example, in a bakery, the production division would handle the actual **baking** — i.e., scheduling, supplies for and production of baked items.

Product: A completed thing or service that has exchange value within or outside the activity. A finished high quality service or article, in the hands of the consumer as an exchange for a valuable. Unless it's exchangeable it's not a product at all.

Shilling: A former unit of currency in the United Kingdom equal to 1/12 of a pound.

Subproducts: Sub — A smaller part of a whole. You could break any "product" down into individual smaller "subproducts." (See definition of **product** above.)

Valuable Final Product: Something that can be exchanged with other activities in return for support. The support usually adds up to food, clothing, shelter, money, tolerance and cooperation (goodwill).

THE 15 STEPS OF FINANCIAL PLANNING

By L. Ron Hubbard

Financial planning means—how to handle the money and assets of an organization so as to maintain outgo below income.

The actions of financial planning are as follows:

1. Income planning. This is planning which forces in marketing, promotion, sales and delivery which will result in income.

   It is the first step in the sequence as income must be *made* before it can be *spent*.

2. Ensuring that Financial Planning Program No. 1 is done for the organization and maintained.

3. Directing the outlay of funds necessary to execute its planning, in alignment with the article "BEAN THEORY, FINANCE AS A COMMODITY."

4. Directing the payment of bills.

5. Directing any necessary delay in the payment of certain bills.

6. Handling finances in accordance with "dateline paying" as covered in an early policy.

7. Setting limits on the purchase orders that may be signed.

8. Preventing divisions or departments in Emergency* from buying any but essential promotional supplies or postage.

9. Adjusting payrolls.

10. Setting limits on pay, overtime or bonuses and all authorizations for pay, overtime or bonuses.

11. Reviewing prices, to ensure all the organization's services are priced and priced properly and where any adjustments are needed, getting authorization for such from top management.

12. Directing any transfers of funds.
13. Deciding upon any large purchases.
14. Authorizing the sale of any equipment or property.
15. Passing upon prices offered for any equipment or property. Any matter affecting the financial health of the organization has to be authorized by the CFO.

Emergency: If the statistics of an organization, department or portion of an organization or a person are seen to be *declining*, they are considered to be in "Emergency."

FINANCIAL PLANNING PROGRAM No. 1

By L. Ron Hubbard

Carefully planned financial handling will result in an organization which is not only solvent, but expanding on a sound gradient scale.

To do this an organization has to first of all assess the following:

1. How many *basic* staff members are required to run and handle the organization?
   a. How much should staff pay be weekly per your approved pay and bonus system?
2. How much is required for the basic organizational needs to merely KEEP the organization there:
   a. How much is the rent weekly (or mortgage or reserves loan repayments)?
   b. How much is the telephone weekly?
   c. How much is the electricity weekly?
   d. How much is the water weekly?
   e. How much are rates weekly (property taxes)?
   f. How much are costs weekly to cover any other taxes, corporate or legal matters?
   g. How much is needed for natural gas or heating fuel weekly?
   h. How much is needed weekly for Estates to maintain the organization's buildings, property and equipment?
   i. If building is owned, how much is needed weekly for improvements/upkeep of the building so it retains and increases its value?
   j. How much is amortization for the building and organization equipment weekly?
   k. How much are basic admin supplies like pens, paper, file folders, carbon paper, staples, paper clips, etc., weekly?
   l. How much is insurance for the organization's building and assets weekly?
   m. How much is your weekly deposit to your Reserve Account?

3. How much is required for basic promotional actions:

    a. How much are envelopes, stationery and stamps for so many letters out weekly?

    b. How much does it cost on a weekly basis to mail a magazine or broad mailing to your full address list once a month?

    c. How much does it cost on a weekly basis to mail out statements to people who owe the organization money?

    d. How much does it cost to mail out information packs to potential customers weekly?

    e. How much does it cost to advertise for new public?

    f. What are the other promotional costs needed to sell services and materials to ever increasing numbers of public?

4. How much is required for basic delivery actions?

    a. How much is needed weekly for materials required for delivery?

    b. How much is required for staff training, including any payments for previous training not yet fully paid off?

5. How much is required to handle the sale of organization products and resale items?

    a. How much is the weekly average cost to restock items which have been sold?

    b. How much is the weekly cost for promotion and marketing of these items?

    c. How much needs to be set aside to purchase new items for resale?

    d. How much is the weekly cost of shipping and packaging to handle mail order?

The list above provides the guidelines for any organization in calculating its FP Program No. 1.

Any organization would review the list provided above for any additional basic expenses or any not applicable and would then work out its FP No. 1 within the purpose of the functions of that organization.

HOW TO USE THIS PROGRAM

After carefully figuring out your weekly costs as per above, you now know exactly how much income you will require weekly in order to exist and to promote. If you do not make this amount of income weekly, you will know at once that you are spending more than you are making, at which point everything must be done to sell more services to your public.

An organization could be in the situation where it has spent more than it has made, in other words it has greater bills than it has money with which to pay them. Now this places an organization into a Danger condition* as regards the society which runs on the basis generally of "pay within 30 days or else."

An organization in this situation, therefore, has *got* to make more money than simply its basic weekly costs. Therefore, all excess monies over its basic weekly costs must be used to pay off its bills, carefully paying such on a dateline payment basis and as per policy with regard to threatening creditors.

When an organization is no longer in a Danger condition as regards society and now has more income than it has in bills, it can gradually use its excess income to do more promotion, to expand its staff to make more income to do more promotion and to buy more facilities to increase promotion and so on.

There are many ways an organization can obtain service facilities like chairs, desks, typewriters, address machine, and mimeo* or offset machines* without driving the organization into debt and causing it to have vast monthly payments which exceed its ability to pay. Inexpensive secondhand equipment can be obtained while the organization sets aside so much money until outright purchase can be made or it can lease equipment with an option to buy.

There is definitely a maxim with regard to money and it is: THE LESS AMOUNT OF INCOME AN ORGANIZATION OR AN INDIVIDUAL HAS, THE MORE CAREFULLY AND WISELY FINANCIAL PLANNING MUST BE DONE.

PROGRAM ADDITION

When FP Program No. 1 was first presented, the initial reports on its use made it necessary to amplify the program.

The first organization reporting compliance had an average income of £3,500 per week, yet in doing FP Program No. 1, found that its operating costs, promotional costs, and monies needed to pay sums due on writs against the organization amounted to £5,800 per week, whereupon it was gleefully decided that the organization would have to make more income. Now this was not the whole intention of Financial Planning Program No. 1.

In presenting Financial Planning Program No. 1, it was considered that the basic costs of the organization would be LESS than its income, but that such basic costs would give the Executive Council an idea of how much they would have to make to barely survive and every once in a great while, it would require added effort by the organization to pull its income up to its bare existence level.

Therefore, the following has been added to this program:

A. After completing the actions listed above, the average *weekly* corrected gross income for the past four months is to be calculated.

B. If the basic expenses of the organization are greater than the average weekly CGI (Corrected Gross Income*), the operational costs must be reduced and the organizational expenses CUT BACK to a figure below that of the average weekly CGI.

C. If the organization also has past bills owing, then the organizational expenses must be CUT BACK even further to permit past bills to be paid. At least 10 percent to 15 percent of the average weekly CGI must be set aside to pay past-due bills and so the cutback in expenses must take this figure into account. Once the past-due bills are paid, the organization's FP No. 1 is to include a minimum of 5 percent of the CGI to the organization Reserve Account.

Even if an organization is in the position of having more income than bills such basic data as this will help in planning for better expansion.

Therefore, the Executive Council of each organization should meet weekly to review its basic operational costs in order to really get in this financial planning program. In using this Financial Planning Program No. 1 it must be understood that the weekly allocation for the organization is not fixed against the FP No. 1 amount. Any idea of fixed allocations is a complete falsehood and would be simply an attempt to wipe out CFOs whose job it is to allocate *in relation to* the organization's production.

It is expected that organizations will greatly expand and thus will require more space, more course supplies, more promotion, etc. So it is necessary to regularly review and update an organization's FP No. 1.

SUMMARY

Survival of an organization depends on solvency.

Solvency depends on making more than it spends.

It is very important that Financial Planning be done well as if it isn't, it threatens your pay as well as the organization's survival.

Corrected Gross Income: Would be the Gross income (total moneys collected) figure minus *non-income* funds. In other words, money taken in that is not "spendable" on normal company expenses. Things such as sales tax, bounced checks, credit card merchant charges and any franchise or royalty fees (if assessed as a percentage of income) as applicable.

Danger Condition: A condition where the viability or survival of the organization is threatened.

Mimeo: Short for mimeograph. A machine that makes copies using a stencil and ink roller.

Offset Machine: A machine where the image is transferred ("offset") from a metal plate to a rubber roller then to the printed surface.

HOW TO MAINTAIN CREDIT STANDING AND SOLVENCY

By L. Ron Hubbard

Credit does not entirely deal with money. It has everything to do with confidence and reliability.

When the world saw a recently elected government act foolishly with customs dues, etc., it had no confidence in that government and the currency of that government went to pieces on the world market.

Money is basically a matter of confidence. So is credit.

An Accounts Unit* that handles money poorly wrecks the organization's credit rating. Insolvency is much less often the source of poor credit than just poor money handling.

Almost all our organizations have good credit. But where they don't it is *money* handling, not the amount of money available that wrecks credit.

An executive in charge of an organization who handles bills in a certain way has good organization credit. One who doesn't has bad credit.

To try to assign credit to the amount of money available is *completely* false.

You can have lots of money and horrible credit. You can have little money and excellent credit. So saying "Our income has been poor so our credit is bad" is a lie.

The business world judges an organization on its financial credit rating. If the organization's credit is good then they're "okay." If your credit is bad, your organization is a "racket,*" in business general opinion.

Good credit breeds confidence.

So financial management *must* help general dissemination by maintaining good credit.

A bad credit rating comes from negligence in Accounts, not from the lack of industry of the Registrar.*

To begin with, an organization has no business spending more than it makes. To do so shows stupidity in management and Accounts, lack of a purchase order system and a general beatnik* state of organization.

Make all the money you can. Spend less than that. That's the simple ABC of financial control.

Make sure all the income is accounted for and banked.

Make sure no unauthorized purchases can be made by executives or staff by requiring an authority to purchase or *contract* from the head of the organization before any purchase can be made or contract signed. Sure that's slow. Who wants it fast? The slower it is, the less you spend.

You want speed on the income line. The disbursement line is something else.

So never listen to somebody saying "But it takes so long to get a purchase order that I just bought it…" Yawn and say, "You bought it without authorization. You can pay for it personally." *Never* let your purchase order system break down. If you do you will soon be spending more than you make. Fact. No exceptions.

A company to most people is something to bleed. They never realize that a company can only spend what it makes and that what it has is made by individuals. So if you have somebody around who is always saying, "The organization will pay or should pay," point out that the organization is its staff's collective pocketbook and that that pocketbook has a bottom.

SOLVENCY

You sometimes hear around an organization a wave of "we're broke" when spending is restrained. This hurts credit. For it's not true. Economy is *not* a sign of being broke. It's a sign of increasing prosperity. Without curtailed and watched spending you *never* have prosperity.

So don't tell everybody, "We can't buy it because we're broke." That's a lazy, dull reason. A better one is, "We can't buy it because we don't need it," and is usually the truth. "We have a purchase order system because we want to prosper" is the real reason you have one.

Make lots of money. Spend it frugally.

So it gives a tax problem. So what? Your accountants should be capable of avoiding tax problems. Whether you do or don't have money you will always have a tax problem because governments are crazy. The way to solve a tax problem is to have money, not to be broke.

Taxes exist only to destroy businesses. Be impudent.* Get rich and to hell with them. Learn to handle them. But not by refusing to make money or have it.

But solvency depends on how you handle things, not on how much you have. Micawber*, in *David Copperfield*,* said that if you had twenty-one shillings and spent a pound, you had happiness. But that if you had nineteen shillings and spent a pound, you had misery! A pound being twenty shillings, that's all there is to solvency.

If you *have* to spend a million dollars, then you better make one million one hundred thousand first. And then make sure you don't spend one million two hundred thousand.

The secret of solvency is:

1. Make a lot of money.
2. Spend less than you make. That's covered by having a good purchase order system and alert financial management.
3. Make it before you have to spend it.
4. Gather bit by bit a cushion of cash to fall back on and don't ever fall back on it.
5. Keep your credit excellent as a second cushion.
6. Refuse to spend reserves. Make more money to meet the emergency instead. (It's usually quicker to make it than to dig it out of old hiding places. Never borrow to pay bills. It's less trouble just to make the money.)
7. Realize that collective thought regarding finance is just bank* and that bank is dead against the creation of anything good and all for eating up everything that exists. Thus financial planning and control is an individual job, is often contrary to group demands and succeeds only when the individual handling it can rise superior to the group. A tame-dog financial manager, trailing along behind the group, yessing everything, will always make the group insolvent. The person you put in charge of financial management should be able to say "No!" no matter how popular a silly "Yes" would be. The financial manager is not there to buy his own popularity with organization funds.

In the early years, my whole answer to organization solvency was just to make a lot more money than people could waste. It's a good answer, lacking all others. When I finally attained control of organizations, I was able also to curtail the waste while making lots of money and we've been pretty solvent ever since. The principles I used to achieve and continue this state of solvency are accurately and completely listed in 1 to 7 above.

CREDIT

When you realize FINANCIAL CREDIT is vital in dissemination*, you become very interested in what it is. As I said above, this is *confidence*.

Given some degree of solvency, you still do not have a good credit rating. That is achieved by HOW YOU PAY BILLS.

This is the one big point that is vital to know thoroughly in this policy letter.

If the organization's senior executives and the Accounts Assistant does not know exactly this data, the organization will have bad credit and financial trouble no matter how much they make.

There is an exact way to pay bills.

This is to pay the bills up to a certain date always. It is called "paying by dateline."

Never "pay a little bit on each bill" to save money or help cover a lean period. That will never help. On the contrary it advertises your lean period and hurts your credit.

Instead, *always*, lean or fat, pay *all* the bills *behind* a certain date and *none* closer to present time than that date.

That's why we have the type of disbursement system we have. So you can do this trick. If your disbursement system and its files are not up to the mark and are sloppy, you will always have bad credit because they can't then do this trick of dateline paying.

Look to the inefficient Accounts Unit and the lack of this bill-paying system if your local credit is poor. Don't go off into income–outgo. Just demand that our general accounts system be followed and that disbursement files are up-to-date.

If you find an Accounts personnel giving financial management the razzmatazz about why it can't have good disbursement files and if this bills-paying schedule is always being violated, assume at once that that personnel is overtly wrecking the organization's credit and get him or her away from that post and get somebody in who will follow our system accurately and help pay bills only by dateline.

You can have six months worth of unpaid bills in some areas of the world and *still* have a good credit rating providing you do not have one bill that is *ten* months unpaid.

Never "pay bills" any old way. A financial manager should always refuse to pay bills one at a time on different days or when Accounts submits a check.

Tell Accounts "Give me every bill we owe prior to August (three months ago)." Add these up. Let's say the amount exceeds our cash. Cut it back one month. Order "Write checks for *every* bill up to July 1." (That's four months back.) That we can cover fully with cash. We pay *all* bills *up* to July 1. We demand of Accounts, "Are you very very very very sure that no bills dated prior to July 1 now exist?" If the answer is "None exist," okay. But if we find out next week that one existed for April 1 that wasn't included, we overhaul the unit as destructive of credit.

Businessmen handle their books by bills owed month by month, not by total sums owed. When a check comes in paying his July 1 bill, then it's plain you're paying your bills. If you send a small sum hopefully to "stave them off" they can't dismiss any one statement with it and so get panicky. It looks like you aren't paying your bills.

After you've paid all bills older than 4 months, get busy and make money. In 30 days request of Accounts "all bills up to 15 August." Let's say we find that we have cash to cover. We say, "Pay all bills up to August 15." Now we're only 3½ months behind.

A month hence we pay "All bills up to Oct 1." Now we're only 3 months behind.

If you get some eager beaver into finance who doesn't use or understand how to do this, you can suddenly look up and find that you thought you were doing all right but you're broke. The eager beaver paid randomly anything in the files he or she came across "in order to pay our bills." We aren't interested in bills as bills. We're interested in "all bills earlier than a given date."

You can go pretty smash on an eager-beaver bills-paying spree with no regard to the age of each bill.

Only pay by this system:

PAY EVERYTHING UP TO A DATE ALWAYS and no further.

And get a new Accounts Unit if disbursement files aren't accurately kept so financial management can do this.

EXCEPTIONS

Government tax bills, water bills, occasionally rent or phone are sometimes accompanied by threats of vast action unless the whole bill is paid instantly. Still try to use the above system. But if you can't, pay it and retard other bills accordingly. And thereafter, don't pay that outfit's bill on any other terms than threatened trouble.

If a tradesman, despite the use of the above system, demands further payment or threatens suit, caution him that if he carries on this way you'll deal elsewhere. And carry out the threat. *Never* continue to use a private business firm after they become obnoxious about bills. Trade elsewhere. And say why.

If you're using the above dateline system and a tradesman gets upset, then he is swindling you or he has too little finance to handle your account, so stop trading with him. Always make that an ironbound policy. Be very proud and haughty about bills. *Never* propitiate.

So the points here that are important are:

1. Pay by dateline only and pay *all* up to that dateline. Put the dateline far enough back so you *can* pay all up to that date.
2. Have an Accounts Unit that can do this and change one that flubs it.

And that handles the whole of credit rating.

Simple?

Get our system in so you know where you are with cash and bills.

Manage by paying all bills up to a specific dateline only.

Advance the dateline as you can cover all with your cash and make lots of money so you can advance it further toward the present. Practice economy so you can advance it even closer.

Continue to do that and you'll always have a good credit rating.

We have a lot of fine Accounts Units. They do a good job. They can handle this if they understand it. It's your job now to get it understood and done.

Accounts Unit: The Accounts Unit manages the accounts. Handles all financial records, income, disbursement and reports and maintains all accounts files and the purchase order system.

Bank: A colloquial name for the reactive mind. The reactive mind is a portion of a person's mind which works on a totally stimulus-response basis, which is not under his volitional control, and which exerts force and the power of command over his awareness, purposes, thoughts, body and actions. Here we find the single source of aberrations (irrational thought) and psychosomatic ills.

Beatnik: A person whose actions and views are unconventional and refuse to conform to established standards of conduct in society.

David Copperfield: A novel by Charles Dickens originally published in 1850.

Dissemination: Spreading or scattering broadly. Making well known.

Impudent: Bold, arrogant and shameless.

Micawber: A character in the novel *David Copperfield*. He was poor, but was always hopefully optimistic.

Racket: A dishonest business or organization, particularly one that obtains money through fraud or extortion.

SAMPLE BILLS SUMMARY

Note: This write-up is done to provide you with a basic guideline for weekly financial planning and does NOT constitute accounting advice. MGE is not responsible for any claims, real or otherwise associated with this form or any part thereof. As always, you are responsible for following the accounting and taxation laws (both Federal and State) in your practice.

Company Name	Inv. Date	Amount Due	Due Date	Inv #	Expense Cat.	Running Total
AAA Disposal	10/5/07	$50.00	11/1/07	18996	Out. Svc	$50.00
Acme Telephone	10/8/07	$250.00	11/2/07	NA	Phone	$300.00
Best Labs	10/10/07	$1,256.23	11/8/07	2556	Labs	$1,556.23
Electric Co.	10/13/07	$266.58	11/9/07	NA	Utilities	$1,822.81
Natural Gas Inc.	10/13/07	$30.01	11/9/07	NA	Utilities	$1,852.82
Dental Supplies Inc.	10/15/07	$1,150.65	11/12/07	8995	Dent. Supp.	$3,003.47
Gold Card	10/17/07	$352.89	11/15/07	NA	Dent. Supp.	$3,356.36
Office Supplies Inc.	10/18/07	$812.74	11/18/07	89002	Off. Supp.	$4,169.10
The Print Shop	10/20/07	$195.36	11/18/07	571	Promo	$4,364.46
100 Elm Street Corp	10/21/07	$2,500.00	11/19/07	NA	Rent	$6,864.46
Platinum Card	10/23/07	$150.60	11/20/07	NA	Credit Card	$7,015.06
Miles Card	10/23/07	$1,250.80	11/20/07	NA	Travel	$8,265.86
Jones Labs	10/24/07	$1,100.00	11/20/07	5001	Labs	$9,365.86
Smith Supplies	10/24/07	$560.25	11/21/07	6588	Dent. Supp.	$9,926.11
Implant Supplies Inc.	10/26/07	$540.12	11/23/07	8933	Dent. Supp.	$10,466.23
Jackson Accounting	10/26/07	$300.00	11/26/07	587	Out. Svc.	$10,766.23
Equipment Leases Inc.	10/28/07	$1,811.54	11/26/07	NA	Lease	$12,577.77
Health Insurance Inc.	10/29/07	$809.37	11/28/07	NA	Insurance	$13,387.14
Daily Flyer	10/31/07	$250.00	11/28/07	1256	Promo	$13,637.14

DEMANDS FOR FUNDS

By L. Ron Hubbard

As in my experience an organization always spends all it makes, financial management on an *international* level consists not of carefully balancing income above outgo in an effort to save a surplus in an organization but of (a) preventing an organization from spending *more* than it makes and (b) setting aside enough money from its income to care for salvage operations and salvage expenses.

Part (a) is done by good financial supervision.

Part (b) is done on an international level without *any* regard whatever for the protests and "financial necessities" of the organization in question. An organization, whether Standard Oil or any other, will *always* spend all it makes and try to spend more. The task is on the one hand to keep it from spending more than it makes and on the other to make some of its expenditures recoverable in cash.

Never, on an international basis, be so fatuous* as to believe an organization will continue to have the difference between its income and its outgo. It will never have that. It will spend it in some way.

An avalanche of reasons it must not save money, or (same thing) why it must spend it, is routine and is to be expected. "The government will tax it," "We don't have enough space," and a thousand other reasons may be advanced as to why the organization must spend all its money.

Truth told, I could run any organization we have on only 25% of the income I would promote for it and pay high wages. I have done so repeatedly. But I do it by making the organization apparently spend all it makes while actually spending the surplus in a recoverable fashion. This is the *only* way I have ever achieved a surplus for an organization in actual practice.

Accountants deal in figures. I deal in people. Some championship chess players liken life to chess and yet can't make a go of it in life. In life the pieces think. They have impulses. So chess rules, like accountants' rules, don't apply.

Collective-think* is always closer to bank-think* than individual reasoning. That's because the bank* is the one constant people have in common. And it's crazy. So almost any individual alive can plan better than a *group* will execute and certainly better than a group can plan. Collective-think is always less sane than the thinking of an individual.

In finance, which is pretty weird to begin with, collective-think is always less wise than individual reason. So a group is quite certain to behave contrary to good sense in financial matters. This factor, far more than accounts balance sheets, must be given attention. A group, poorly supervised as in a government, will usually try to spend more than it makes. Heavy supervision and economy can prevent this. Only the physical removal of money can achieve a surplus.

Bank: A colloquial name for the reactive mind. The reactive mind is a portion of a person's mind which works on a totally stimulus-response basis, which is not under his volitional control, and which exerts force and the power of command over his awareness, purposes, thoughts, body and actions. Here we find the single source of aberrations (irrational thought) and psychosomatic ills.

Bank-think: Reactive or irrational thought resulting in non-optimum or destructive solutions.

Collective-think: Every human has in common with every other human the same reactive bank. This is the most they have in common. The reactive bank — unconscious mind, whatever you care to call it — suppresses all decent impulses and enforces the bad ones. Therefore a Democracy is a collective-think of reactive banks. Popular opinion is bank-opinion. Collective-think is basically bank.

Fatuous: Foolish, unreal.

INCOME POTENTIAL

By L. Ron Hubbard

The income potential of any usual group is established by the demand for income, not by any other important factor.

In financial supervision on an international basis, this is the only factor one works with. While it is *reasonable* to suppose that income will occur for other reasons and can be achieved in other ways, the actual fact is that only demand by the group produces any income at all.

You can, for use in financial supervision, make the requirement almost anything you like and, so long as a group believes it is spending all it makes and needs more, you will have adequate income.

For practical purposes, no other rules apply.

Organizations have always spent all I would make for them. They have adjusted their "need" to how much could be made. In supervision of their finance, it is only necessary to reverse this and they adjust their income to their "needs."

When a surplus is made part of the "need" by disguised outgo, a surplus occurs. Only *then* will it occur. It will not happen otherwise.

You can waste 15% of an organization's income to obtain a 5% surplus and it will be a wise action. If you seek a surplus by trying to save the 15% instead in a visible way, you will not only lose the 15% but the 5% also.

You can only attain a financial cushion in an organization by removing it out of reach so that it appears to be spent, then producing it when the organization overspends or gets in trouble.

Organizations, like children, are fantastically improvident.* And a group, to work, must believe it is spending all it makes.

Money, to begin with, is only an abstract idea. Therefore, it is the victim of all manner of thoughts and opinions.

All we want out of an organization is for it to stay there and continue. To do that we have to have financial ideas that work. Incredible as it may seem, the above are the only practical financial ideas which have worked and which have produced surpluses and guaranteed organization continuation.

Add to these good promotion and excellent technical and you have the reasons we are becoming strong all over the world.

Financial management is not accountancy. It's people. As head of an organization, if you can think your way around collective-think, you can become solvent and even have a surplus. Maybe it *shouldn't* be that way but it is.

Improvident: Failing to plan for the future; without foresight.

FINANCIAL MANAGEMENT - STABLE DATA

By L. Ron Hubbard

1. An organization will try to spend more than it makes.
2. Economy is aimed at preventing it from spending more than it makes.
3. A surplus is achieved only by making it part of what an organization spends.
4. An organization's expenditures are *not* regulated by what the organization needs in order to do business but by what an organization thinks it has available for expenditure.
5. Financial management can *not* achieve a financial surplus by economy alone.
6. A surplus to be achieved must be made part of what an organization thinks it spends.
7. Income is regulated by what an organization thinks it has to have to operate.
8. Income is never regulated in a usual organization by desires for a surplus.
9. To achieve a surplus it must be masked as a "necessary expenditure."
10. Economy, to achieve a surplus, does not include saving on expenses. It includes only adding an "expense" that becomes a surplus.
11. To achieve a surplus one must add an expense that can then thereafter convert to a surplus. One can waste up to 50% of an organization's income to achieve a 10% surplus. In some cases this is the only way a surplus can be achieved. Why? See (1) and (2) above.
12. An individual is always more sensible than a group.
13. When an organization is losing ground financially it is being "run" by someone who is only the effect of the group and cannot act as an individual in planning or control the group.
14. The only possible action when an organization is not making its way financially is to remove the executive in charge. The incumbent is only the effect of the group and is not planning or controlling.
15. The earlier one detects a bad executive in-charge and replaces him, the better it is for the people in that area.

16. Efforts to “straighten up an area” without replacing the local head have never been successful in 14 years. If let go too long under incompetent management an organization’s recovery requires heroic efforts and vast financial expenditure.
17. Financial management (as contained in the previous two articles), closely followed, will prevent almost all trouble and organization upsets, not just in finance but in all other areas.

FIRST FINANCIAL POLICY

By L. Ron Hubbard

INCOME IS MORE IMPORTANT THAN DISBURSEMENT.

COMPLETED STAFF WORK (CSW)—
HOW TO GET APPROVAL
OF ACTIONS AND PROJECTS

THE MOST IMPORTANT PIECE OF YOUR HAT

By L. Ron Hubbard

There is an old term called "Completed Staff Work" which we will now employ in order to reduce developed traffic* and increase speed of action.

The term "Completed Staff Work" means—an assembled package of information on any given situation, plan or emergency forwarded to me sufficiently complete to require from me only an "Approved" or "Disapproved."

Here is what slows down approval and action and develops traffic: Somebody sends me a skimpy piece of information and demands a solution. As more information is required than is presented, I must then take over the person's hat and assemble the missing data using my own time and lines. I must then dream up a solution and then order an action to be taken. This causes a slowdown on any action, causes my lines, already loaded, to be used for information assembly and brings about a feeling of emergency. My pending basket* overloads and confusion results. This would be called "Incomplete Staff Work." It is incomplete because I have to complete it by:

1. Assembling the data necessary for a solution,
2. Dreaming up the solution based on written data only, and
3. Issuing orders rather than approving orders.

If you are mad at your boss you can always ruin him with "Incomplete Staff Work." You forward him a fragment of alarming data without collecting the whole picture. This makes him do a full job of information collection. You give him no recommended solution. This makes him have to achieve a solution by remote examination of data; such solutions are often wrong as they are made without full data. Then you make him issue arbitrary and forceful orders that may ARC break* some area and hurt his reputation. That's how to get even with a boss. And even if there's no intention of harming him, sending "Incomplete Staff Work" to your boss *does* harm him by making him send information — getting despatches* on already crowded lines, by making him guess at the situation, by making him cook up solutions which may be unreal, and by thrusting him into the role of an arbitrary tyrant.

Now that we've seen the negative side, let us examine the positive side.

"Completed Staff Work" is an assembled despatch or packet which:

1. States the situation,
2. Gives all the data necessary to its solution,
3. Advises a solution, and
4. Contains a line for approval or disapproval by myself with my signature.

If documents or letters are to be signed as part of my action, they should be part of the package, all ready to sign, and each place they have to be signed is indicated with a pencil mark with a note in the recommendations saying signatures are needed.

If you want to hold down your post or project, don't insist on my collecting the data you should collect, dream up the solution you, more familiar with the scene, should achieve, and don't put me in a position of issuing unreal orders you can't then carry out.

We are a big team and a good one. I know any error on this in the past has occurred because you didn't know exactly what I wanted.

"Completed Staff Work" is what I want. Then *you* have your hat, you can do more to help, and our lines can stay freer and faster.

There have been good examples of this in the past. Let's make the circumstances more general.

If you get the letters *CSWP* on an item, it means "Complete the Staff Work, Please."

ARC break: A sudden drop or cutting of one's affinity, reality or communication with someone or something. It's called an ARC break instead of an upset, because, if one discovers which of the three points of understanding have been cut, one can bring about a rapid recovery in the person's state of mind.

Despatch: A memo from another staff member in your organization.

Developed traffic: Developed traffic does not mean usual and necessary traffic. It means unusual and unnecessary traffic. Additionally needless, inhibitive actions are called developed traffic. These would include non-compliance, alteration, no report, false reports and off-origin statements.

Pending basket: All personnel assigned a desk and specific stationary working space are to have a stack of three baskets. The top basket, labelled "in," should contain those items and dispatches still be to be looked at. The middle basket, labelled "pending," is to contain those items which have been looked at, but which cannot be dealt with immediately. The bottom basket, labelled "out," is to contain those items which have been dealt with and are now ready for distribution into the organization's communication system again, or to files, etc.

PURCHASING LIABILITY OF STAFF MEMBERS

By L. Ron Hubbard

All purchases by an organization must be done by purchase order, duly agreed upon and signed by those in authority before any purchase or contract may be binding upon the organization.

Should a purchase be made or a contract entered into for the organization by a staff member with no purchase order, the executives or person in overall charge of that organization may refute the purchase or contract and may require the offending staff member to pay for the purchase or contract out of his own pocket as a personally entered into arrangement.

BONUS PLAN IDEAS

Note: This write-up is being provided as suggestions and ideas from which to construct bonus systems for your office. This is not to be taken as a guarantee that the information provided is appropriate to your practice. Each practice is individually responsible for ensuring that any bonus system implemented complies with the applicable federal, state and local accounting, tax and employment laws, rules and regulations governing the place in which your practice is located. These suggestions do NOT constitute legal or accounting advice. You should seek advice from your own accounting and legal advisors as to what is appropriate to implement in your practice, prior to implementation. MGE: Management Experts, Inc. is not responsible for any claims, real or otherwise, associated with this document or any part thereof.

The basic rule for any bonus game must be that it is in a win-win format. It has to be motivating for the staff and the doctor has to structure it so he can afford it. Some of my basic guidelines are:

1. The game can be changed any time someone begins to lose. No game is forever.
2. The doctor is the game creator. You have to accept this role. You can delegate this duty but not the responsibility for creating the game.
3. Since no game is forever, new games and variations of games must be continually created to remain motivating. The same game month after month or year after year won't work.
4. All games must be established on money collected. If a game is created that does not revolve around collections, it must be determined how the winning of the game affects collections to be able to afford to pay out the bonus.
5. The game must be motivating for every staff member. If someone isn't interested in the reward, they won't do their part to achieve it. You must survey the staff and find a reward that each of them can get excited about.
6. The reward needs to be for a level of accomplishment not routinely achieved. Find out what has been the average and calculate what would be a challenge, but not unrealistic.
7. The game must be simple and clear to everyone. If a staff member does not understand the game they won't be motivated by it.

I. Cash Bonuses

Establish your average collections for the past 3-4 months. This we will call your "Bonus Level" (BL). This amount must be large enough so the doctor can pay his bills at the office and the house. If the BL calculated this way is not enough to pay the bills, then raise the BL number to the proper level.

Compute what your variable expenses are in producing your service (i.e., lab bills, supplies, advertising, etc.). In a dental office, this will be 20-30%.

As the office collects more than the BL, deduct the amount needed to cover the variable expenses of production of that increased amount.

Now take 20% of that amount and divide it among the staff.

EXAMPLE:

Collections	**$32,000**
BL	-$20,000
$Over BL	*$12,000*
$ Over BL	**$12,000**
30% Variable Expenses	-$3,600
Profit	$8,400
Profit	**$8,400**
Bonus %	x .20
Net Bonus $	*$1,680*
Net Bonus $	**$1,680**
# Of Staff	÷4
Bonus per Staff	*$ 420*

II. Other Rewards

We have done trips, shopping sprees to malls or jewelry stores, and special cash bonuses. It just needs to be something that everyone can get excited about.

III. What to Bonus On

A. Collections (Use BL calculation above)

B. New Patients — put $35 (or whatever) into a specified fund for every new patient that brings in a "Care to Share" coupon or internal marketing discount card. This promotes staff asking for referrals.

C. Put money into a fund for the staff promoting a service/product sold, i.e. home fluoride, panorex every 3 years, etc. This gets the staff to focus on what to sell/promote. Establish the average sold in the past and give a reward for each unit increase.

The bottom line is that whatever you're promoting should lead to a direct increase in collections. That way you'll always have the money to pay the reward.

IV. Office Manager Bonus

You can give the Office Manager two shares of regular bonus to everyone else's one share.

Profitability Bonus: Establish what your average overhead was for the past year, e.g., 65%. Give the OM a percentage of the increased profits as it goes below this level — possibly 5-7%.

EXAMPLE:

If you made an extra $6,000 in a quarter because the overhead went from 65% to 60%, then give the OM 7% of that profit, or $420.

V. Final Thoughts

You should establish separate bonus accounts to keep this money in. Make deposits into these accounts each month until the money is ready to be dispersed. You are in deep trouble if the staff earned a bonus and you spent it on something else.

Any bonus game will work as long as it is motivating to everyone and everyone wins.