

RESEARCHING YOUR COMPANY

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How often have you heard that old song and dance, "You're demanding too much money. If the Company agrees to these demands, it will force us to go bankrupt and shut down. You don't want to lose your jobs, do you?"

Whether this old saw comes from the executive office at contract time, or from Company mouthpieces in the top ranks of the AFL-CIO, the intent is the same -- to scare us into working for low wages with lousy working conditions.

Starting false rumors designed to confuse, mislead, and frighten the workers is standard Company practice, especially at contract time. But armed with knowledge of how to research your company's real financial position and prospects, you can beat this propaganda and add weight to your just demands.

IN THE KNOW

Researching your Company can also tell you how many of the Company's other plants are unionized, and in what unions. You can learn whether to expect layoffs and an extra-hard line management, or new orders, expanded production, and construction of new plants.

Knowing these facts helps a union or rank and file caucus know the company's strong points and weak points. Knowing them also helps in determining what problems are likely to be the most severe in the next few years, and therefore what demands are most important to protect the membership during the term of the next contract.

In two parts, beginning with this NUTS & BOLTS, we will explain how you can research your industry and your company, using the capitalists' own facts and figures. All of the sources listed here can be found in the Free Library Central, or the University of Pennsylvania or

Temple University libraries. Ask the librarian to show you how to find what you're looking for.

There are many details that we won't get into here -- if you want to go beyond what's in this article, send your questions to NUTS & BOLTS c/o the Organizer. Very little technical language is needed to do this research, but if you run into technical terms, use the McGraw-Hill Dictionary of Modern Economics to find their meaning.

GETTING THE SCOOP ON THE INDUSTRY...

The first thing you want to know is: what's going on in your industry? What changes are happening, and what's likely to happen in the next few years? The best sources for this information is Standard and Poors *Industry Surveys*. This is a breakdown of the US economy into 44 major industries, published in two editions (the *Basic Analysis* once a year, and the *Current Analysis* three times a year.) Ask the librarian for the latest edition of both the *Current Analysis* and the *Basic Analysis*.

If you want more details (and also to find detailed information on your particular company), check Funks and Scotts *Index of Corporations and Industries*. This is an index of dozens of business magazines and newspapers, broken down (in two

sections) by Industry and by Company. Check out at least this year's and last year's listings. Funk and Scotts *Index* will refer you to articles in many different publications; the most useful articles are usually found in *Business Week*, *the Wall Street Journal*, *the Journal of Commerce*, and *Fortune*.

AND YOUR "OWN" COMPANY

Now that you know the big picture, you want some details on your own employer.

The best single source for this information is the corporation's *Annual Report to Stockholders*. This is a booklet, usually 10-30 pages long, that management prints up to keep the stockowners informed and to attract new investors.

Call up any brokerage firm in the phone book (Merrill-Lynch is good), ask to speak to a broker (he's a stock salesman). Tell him you're thinking about buying a few shares of the company's stock, but would like to see a copy of the annual report first. They'll mail it to you for free in a day or two, with no hassle. Some *Annual Reports* can be found in the library.

If you want really detailed information

on the company, ask the broker to send you a *Prospectus* also. This is a document that must be prepared whenever a Company offers a new batch of stock for public sale on the stock exchange. The language is a bit technical, but it includes the amount of stock held by members of top management, which unions represent the employees, and very detailed financial figures.

A brief summary of the contents of the annual report, plus a short history of the company, can be found in *Moody's Industrial Manual* (for manufacturing companies), *Moody's Utility Manual* (for gas, electric, and similar companies), or *Moody's Transportation Manual* (for truck, bus, and similar companies). *Moody's Manuals* are published once a year.

The other good source on individual companies is the *Value Line Investment Survey*. This survey publishes one-page information sheets on most corporations, several times a year. There are lots of figures crammed into that page, most of them worthless for our purposes. At the bottom of each page are a few paragraphs giving details on the company's business; you can find a lot of facts here that won't be in the *Annual Report*, and it's worth going back and copying the last 5-10 sheets on your company to get these facts. This part of *Value Line* often has information on major new orders, plans to build new plants or tear down old ones, and what divisions are making or losing money.

The other important facts in *Value Line* are found in a table of financial figures at the top of the page. First look for the line "% earned net worth" -- this is capitalist jargon for the rate of profits after taxes, and is usually listed for the last 10 years, with predicted figures for the next five years to come. Next look for "net income" -- this is the dollar amount (usually stated in millions) of clear profit after taxes, also listed for the last 10 years and predicted for the next 5.

WHAT DO PROFIT FIGURES MEAN?

The rate of profit ("% earned net worth") is figured by taking the dollar amount of clear profit after bills and taxes, and dividing it by the total amount of money invested in the company by the stockholders. This gives a percentage, or rate, that shows how much the owners got back in one year for the money they put into the company.

First look at this rate to see if it's been the same for the last few years, going up, or going down. Also, compare the rate for the last few years to the predicted rate for the next five years. The trend of this figure over the last 5-10 years (and over the years to come) tells you a lot more about what's happening than the size of the figure in one year alone.

You should also figure out a five-year average rate for your company, and compare that to the 5-year average for US industry as a whole. Add the last 5 years rates together and then divide by five to get the average rate. The average for all US industry from 1970-1974 was 11.5%. If your company is small (say less than \$10 million a year in sales), the average is about half that.

If you want more detail, compare your five-year average to the five-year average for your industry. This can be figured from the special industry page (one for

each industry) in the latest *Value Line* book.

CAN THEY AFFORD IT?

When studying a company's profits, keep in mind that you'll never know exactly how much money they're making. Various bookkeeping tricks as well as outright falsification are used by every company in the US, mainly to dodge taxes and make their profits look small to the public. Only a trained accountant with access to all of the company's books could figure out exactly how much they're really making. But reported profits can be considered fairly close to reality when used to compare one company to others, since they all play the same shell game.

As a rule of thumb, any company reporting a profit of 5% or more can afford to grant most or all of your demands. Many companies reporting a profit less than

that can afford it also, especially if competition isn't too stiff in that industry. And if they're reporting anything above zero, they can afford to give up something. During World War II, the US Government studied the effects of wage increases on profits, and they found many companies making *more* money the year after granting an increase than they did the year before.

One good way to show up Company propaganda about wage increases "putting us out of business" is to figure out the profit made on each worker, and print it in a leaflet. Take the "net income" figure from *Value Line* or the *Annual Report* and divide it by the number of working-class employees (roughly 2/3 of the total number of employees listed for the company) to get the profit per worker. Keep in mind that this figure (net income) is just the cream off the top. In addition to clear profit (net income), wealth that the workers produce (over and above what we get

back in wages) also goes to pay the corporation's mortgages, buy a large part of its machinery, and pay its taxes.

FOR SMALLER COMPANIES

Annual Reports, *Value Line*, and *Moody's Manuals* are useful only if your company has stock that is bought and sold on the public stock exchanges. Small companies owned by one person or a few partners are much harder to find information on. Two magazines published by local business groups have information on small local companies - *Focus* and the *Delaware Valley Business Fortnightly*.

Neither of these is indexed, so you'll have to get the last six months or year's issues and check the table of contents of each one. The business page of the local papers also has articles on local companies; it's a good idea to start looking at these every day and keep a file of clippings on your company (and maybe its local competitors) for future use.

If your company is owned by another company (a subsidiary), you won't be able to find any information under your company's name. Check the *Directory of Corporate Affiliation* to find out the name of the "parent" company that owns your employer, then go through the sources we've listed.

KNOW YOUR ADVERSARY!

Researching a corporation is like sending out a reconnaissance patrol in war. Knowing where the enemy is, what his plans are, and what shape he's in can be valuable information when the battle starts. The Research Department of the International Unions should be doing this kind of study, but not all do. And many who do won't tell the rank and file members or the local officials what they know.

The point of researching your company isn't to become a Wizard of Wall Street while getting dusty from months in a library. Educating and organizing the rank and file union members are the keys to winning and enforcing a decent contract. But knowing the real facts about your enemy and spreading that knowledge widely is a valuable tool for building a winning fight for your just demands.

