

# North American Management Briefs

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Phone: 1-815-226-1666 www.lmausa.com

## You Should Know...

### Big Brother?

The *Boston Globe* reported that one in three IT professionals admits to using their password to snoop on fellow employees. What are they looking at? Wage information, personal e-mails, and human resource files.

**The Point:** The content of a company's e-mail system is owned by that organization, and all information sent from or received by it is the property of that company.

### A Giving Nation

Despite the absence of natural disasters in 2006, private charitable contributions totaled US\$295 billion, a record high. This does not include contributions by any government agency but only those by individuals, corporations, and both private religious and non-sectarian charities.

**The Point:** U.S. charitable contributions in 2006 exceeded US\$983 for every man, woman, and child in the country. That dwarfs that of any other country by order of magnitude.

### Plane Late?

The first four months of 2007 were the worst in recorded history since 1994 for air travel. Only 72% of U.S. domestic flights arrived within 30 minutes of their scheduled time. The worst was U.S. Airways with a 63% on-time record.

**The Point:** If you can avoid New York (LaGuardia, JFK, and Newark) things are a little better.

### July's Quote

*"The mystery of government is not how Washington works, but how to make it stop."*

P.J. O'Rourke, Boston Weekly

## Are Budgets Bad?

A ridiculous question, or is it?

For tracking spending, budgets are great. A joint study by AT Kearney and the Delta Consulting Group, however, found that when they are used to measure performance they frequently distort long-term planning, or worse yet prevent managers from shifting resources to where they are most needed.

The trick is to base your control system (and performance metrics) on other financial and non-financial measures such as ROI, product quality, market share and customer satisfaction. Here are some tips:

- **Measure output not input.** Setting inflexible cost targets does control how much money is spent. The key, however, is not how much is spent but rather the return an organization receives on that money.
- **Plan first, budget later.** Develop a plan unique to the upcoming fiscal time period and then construct a "zero based" budget around it. Straight lining budgets assumes that competitive activities, the economic environment, and technology don't change from year to year. If you don't develop the plan first, you are doing last year's budget, not next years.
- **Budget for managers, not accountants.** Yes FASB and the SEC tell you which figures to report and how, but who says management reports have to follow the same format. Many of the legally required matrices are irrelevant to either stimulating or measuring performance.

- **Design against turf wars.** Divisions intent on making their budgets are always trying to shift work and costs onto each other. This serves customers poorly and reduces profits. Look for ways to link departmental and divisional budgets horizontally, not vertically.
- **Build budget busting into the system.** Include "non incremental growth opportunities" and forecasts for strategic products and opportunities that may surface during mid-year.

**The Point:** Employees and managers can figure a way around any control system. Make sure you decide what your objectives are (likely profitable growth), and what metrics drive them. These should be measured and compensation plans/performance awards based upon achieving them.

### Arms Importers - 2006 Top 10

Country	Imports in \$
China	11,677,000,000
India	8,526,000,000
Greece	5,263,000,000
UK	3,395,000,000
Turkey	3,298,000,000
Egypt	3,103,000,000
South Korea	2,755,000,000
United Arab Emirates	2,381,000,000
Australia	2,177,000,000
Pakistan	2,018,000,000

(USA 1,760,000,000)

Source: *Stockholm International Peace Research Institute*

### U.S. Holidays

8/6 Civic Holiday, Canada

9/3 Labor Day, US, Canada

10/8 Columbus Day, US

10/8 Thanksgiving Day, Canada