

North American Management Briefs

Published by:



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You Should Know...

Patient Investing

An individual that invested \$1,000 in Warren Buffett's company 50 years ago would find that the investment has grown to \$27.6 million, reports *US News and World Report*.

The Point: That is, by definition, patient value investing.

Consumer Outrage

A Georgia woman called police to complain about some low-quality crack cocaine she just purchased from a street vendor. Instead of helping her obtain a refund, the police arrested Juanita Jones and charged her with possession of a controlled substance.

The Point: It seems consumerism has now penetrated all markets.

Go Rambo

The village of Zitiste, north of Belgrade in Serbia, has had bad luck; farm diseases, monstrous mass murders, floods, and landslides all within the last four years. Their answer? A life size statue of Sylvester Stallone as Rocky Balboa in the town square, which they believe will change their luck.

The Point: I guess I'd try anything too.

Splash

Of the 4.5 million mobile phones that are lost in Britain every year, 900,000 are flushed down the toilet according to the British Police.

The Point: Maybe they should make them bigger.

March's Quote

"Be sincere; be brief; be seated."
Franklin D. Roosevelt

Disease of Numbers

Soon executives and managers will be examining their Q1 results, likely expressed in numbers. Knowing the numbers, of course, is essential to good management. You can't improve something you can't measure.

Unfortunately, just knowing the numbers isn't sufficient when it comes to making decisions, you need more.

During the last decade it has become common to make business decisions based upon understanding a company's internal metrics, its numbers. There are two reasons for this trend. First, the internal metrics are indeed important, and knowing them is a critical element in making good decisions. Second, knowing the numbers is often considered to be synonymous with good management.

Seasoned executives know that knowledge has two components; quantifiable information (the numbers) and its explanation. Without the explanation there is a tendency to project or "straight-line" the numbers which usually produces disastrous results.

Suppose sales of product line A increased by 15% a year for three consecutive years. Suppose sales of product line B increased by only 5% a year during the same time period. Should you allocate more resources to product line A? Discontinue product line B? Maybe, and maybe not, it depends upon the explanation. OK, so what information do you need to explain the numbers? You need an understanding of:

- **Your competitors' activities during the relevant timeframe.** Their product launches, promotions, price increases/decreases, and/or withdrawal from the business.

- **The macro and micro trends in your market(s).** Their size and growth rate, economic condition, and their perception of the relative value of your product offering.
- **Government/regulatory issues.** Tariffs, mandated inspections, recalls, free trade agreements, etc.
- **The technology.** Watch for the obsolescence of your products by either direct or indirect technology.
- **The economic/financial environment.** Currency strength or weakness, interest rates, and industry/sector-specific financing problems.

This information is critical in decision making. Why don't more executives have it? Because the internal metrics are easier to obtain.

The Point: Fortunately this "disease of the numbers" is curable. To improve your decision making, be sure that you understand not only your numbers, but also their explanation.

Top Ten Selling Cars of all Time

Manufacturer/Model	Est. No. Made (in millions)
Toyota Corolla	29.0
Volkswagen Golf	22.0
Volkswagen Beetle	21.5
Lada Riva	19.0
Ford Model T	16.5
Honda Civic	14.9
Nissan Sunny/Pulsar	13.6
Honda Accord	12.5
Ford Escort/Orion	12.0
Chevy Impala/Caprice	11.5

Source: *Transportation and Tourism*