

Special Edition

What Constitutes a Good CEO? Part 2

Last week, I discussed what constitutes a good CEO:

I indicated that successful companies are businesses are able to leverage their intellectual capital and knowledge and leverage their employees.

Additionally, I implied that a CEO is a leader, not a follower, and sets examples for his employees to follow. Businesses must learn that the value of intellectual capital does not come from storage, but from application. It is more important to focus on knowledge sharing, which is the same as teaching and learning.

Effective leaders have the ability to reduce the lead time between learning and teaching. Today, intellectual capital is as important as financial capital in providing an accurate picture of a company's net worth.

It's important to recognize that an effective leader is the solution, not the problem. What is a leader? Leaders know where they are going and convince others to go with them. President Harry Truman stated; "Leadership is the ability to get people to do what they don't want to do, and like it".

The trucking industry has been devastated, over the last several years, due to the global economy;

- Freight rates continue to "plummet".
- Shippers continue to extend payment terms, whether we like it or not, and;
- There are too many trucks and not enough freight.

At the same time, regardless of the economic climate, as a leader, you need to adapt to the marketplace; which requires change. As part of the change process, you have to address the conditions of the economy and then develop a plan to, not only survive, but to prosper.

There are numerous questions that I ask CEO's when I review their company;

1. Do you make profits your first item of expense? What kind of profits should you make-- 5%, 8%, or 15%? To calculate where you're going, you must calculate profit first then work expenses to meet the profit.
2. What day of the year is your break even date? Why is this important? How do you evaluate expense control?
3. Understanding finances are the key to profits. Your operating statements are essential for cost control. How do you control operating statements? How soon after the closing period do you receive notice of financial problems? What do you look for in your operating statements? How often do you get them – analyze them?
4. What reports do you get that is very important? What important information don't you get and why don't you get it?
5. Inventory control makes or breaks profits, particularly for an asset based company. What is your cost control for inventory? How often do you take physical inventory? How about obsolete parts? Current amount of inventory? What is a better way to manage your inventory?

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Part 2



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It's important to understand that regardless of the economy, profit performance management begins with you; understanding your financials and putting controls on your expenses, are all a critical part of a company's survival and growth. To begin the process, an analysis of your company's last 3 year expenses, as a percentage of total income, is first step.

Profit performance management means all managers must understand what creates profits and what controls expenses. Each member of your management team must be involved in this information and making decisions. Each department must have its own incentive. **Each department must make profits the first item of expense, and control expenses to meet profit expectations.**

Amazingly enough, many businesses are so busy they don't have time to consider profits – isn't that ridiculous? It's the old syndrome; you can't see the forest because there are so many trees in the way.

Many companies consider leadership and management the same. I believe most employees are under-lead and over managed. Recently, a poll was conducted that indicated that 2 out of 3 workers believe that their leaders are incompetent. This poll was taken by the American Management Association.

In closing, the annual football Superbowl winner receives the Vince Lombardi trophy, emblematic of championship. For most of you, you know that Vince Lombardi took a small city's football team and produced championships over and over again. **He started each year's football practice with a simple statement; "Gentlemen, this is a football.** Everything revolves around this football. Our job is to learn how to control this ball more than the opposition."

Vince started each season with the basics; "This is a football." For the majority of trucking companies, they must begin each year with their football, which is "profits"! If making profits is not your first objective, then determine what your football is. Focus on that, then make that your first priority of business.

Next week, I will discuss understanding profits and the effect it can have to a trucking companies overall profitability.

QUOTE OF THE WEEK: "If you keep turning your back on reality, eventually it will kick you in the butt".