

Preface

Think back for a moment to your school days. Remember the best teacher you ever had, the one who seemed to know everything about his or her field and had something all the other teachers lacked: the ability to boil down the complex ideas of a discipline—whether it was psychology, economics, or chemistry—so that you really “got it.” Other teachers may have had a great depth of knowledge and fancy credentials, but they couldn’t make the lightbulb go on in your head. Instead of making something complex seem simple, they did the reverse—they made it more complex and just plain hard to understand.

I’ve been in the business world some forty years now, beginning when I was a child in my family’s small business in India, then working as an engineer in Australia. I then moved to America and taught at both

Harvard Business School and Northwestern University's Kellogg School, and have been advising CEOs and boards of directors at companies large and small around the world. The one thing I've noticed is that the best CEOs—the ones whose companies make money year after year—are like the best teacher you ever had. They are able to take the complexity and mystery out of business by focusing on the core fundamentals. And they make sure that *everyone* in the company, not just their executive colleagues, understands these fundamentals. You could say they have their self-interest at heart, since the company and the CEO are more successful when everyone knows how the business works. But it's not just the CEO who benefits. People feel more connected to their work and have greater satisfaction from their job. And as the company has *profitable* growth—that is, both sales (the “top line”) and profits (the “bottom line”) increase year after year—there are greater opportunities for people to expand their careers and to make more money.

When you come right down to it, business is very simple. There are universal laws of business that apply whether you sell fruit from a stand or are running a Fortune 500 company. Successful business leaders know them. They have what I call *business acumen*—the ability to understand the building blocks of how a one-person operation or a very big business makes money. You, too, can learn the fundamentals of cash, margin, velocity, return on investment, growth, and customers. You can develop your own business acumen. While these ideas may sound complex, they are not.

Think once more about your best teacher in a subject like chemistry. Once you understood that the atom was made up of protons, electrons, and neutrons, you then had the fundamentals to solve any problem in chemistry. I want to show you that it's the same with business: When you know the fundamentals, you can "get" the basics for how any business works.

My goal in writing this book is to give you the benefit of my experiences over many years in seeing how some of the most successful people in business think and act. You will see the common core of what they do to make their companies and their employees world-class winners. Of course, every business differs to one degree or another, but once you understand the core of any business you will have the framework for understanding your own company.

The best CEOs and the man or woman running the one-person shop think the same way. They know their cash situation. They know which items are profitable and which are not. They understand the importance of keeping their products moving off the shelf (inventory velocity) and they know their customers. What *your* CEO wants *you* to know is how these fundamentals of business work in your company. By investing a couple of hours in this book you'll begin that journey.

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