



5 Keys to Assessing Company Management

Description

Investors typically look at financials and other company fundamentals when analyzing a business. This is all well and good. However, the people element of a business is equally important to consider. More specifically, the top management behind a company is an aspect investors should carefully study. Here are five things investors should consider in a company's management:

1. A commitment to invest

In a tough operating environment, a company's management must still be willing to allocate dollars to grow its business. It cannot sit back and engage in passive, wishful thinking, hoping its business will maintain market share via inaction. Smart companies invest wisely to drive growth.

In 2013, **Metro** ([TSX: MRU](#)) made a commitment to invest in restructuring its Ontario operations. Furthermore, it committed to growing its pharmacy business in Quebec. It signed a deal with **Target** to operate pharmacies within Metro's Quebec stores, starting this year.

Metro recently stated, "Our merchandising strategies and investments, as well as our reorganization of our Ontario store network enabled us to increase sales in a market that remains intensely competitive."

For the second quarter ended March 15, 2014, Metro had sales of \$2,554.8 million, up 1.7% compared to the year prior. Same-store sales grew 1.0%.

2. The ability to forecast

Companies must prepare for the future. A company cannot totally predict what its market will be like. However, it can, through insightful research, and analysis of past performance, understand the likelihood of what awaits its operations. It can then put in place strategies to give itself the best chance to succeed.

Cogeco Cable ([TSX: CCA](#)) recently raised its full-year profit forecast. The company did so noting its strategy of expansion into data services and its cable business in the United States. Cogeco raised its 2014 profit forecast to \$235 million from \$230 million.

3. A commitment to fiscal soundness

Smart management does not overspend. Quality management invests its money to optimize efficiencies, which in the end, save money. Therefore, fiscal soundness contributes to greater profits.

In 2013, **Loblaw** ([TSX: L](#)) concentrated on improving efficiencies and advancing its information technology (IT) infrastructure program. The company started transferring to a set of new IT systems. This, it said, will manifest itself in perpetual inventory in stores, less overstocks, less markdowns and throwaways, and lower labour costs.

4. A CEO with a strong team

A corporate CEO cannot do it alone. The advice and input of an experienced executive team is crucial to his or her success at the top. Mr. Gordon M. Nixon, President and CEO of **Royal Bank of Canada** ([TSX: RY](#)) has a strong team supporting him.

As an example, Mr. David I. McKay has been the President of Royal Bank of Canada since February 26, 2014. He served as its Group Head of Personal & Commercial Banking since October 31, 2012. He also served as the Group Head of Canadian Banking of Royal Bank of Canada since April of 2008. He served as Head of Personal Banking at Royal Bank from October 2005 to October 2006. He also served as a Senior Vice President of Financing Products from October 2003 to October 2005. He joined Royal Bank in 1988.

5. Succession plans

Succession plans keep shareholders from getting jittery. They are assured that there will not be a change at the CEO level in the short-term, which can have speculators and analysts' over-theorizing and affecting the share price of the company.

Toronto-Dominion Bank ([TSX: TD](#)) announced on April 3, 2013, that Mr. Ed Clark (TD Bank Group), Group President & CEO, would retire on November 1, 2014. Mr. Bharat Masrani will become Group President and CEO of TD Bank Group on that date. Effective July 1, 2013, Mr. Masrani became Chief Operating Officer of TD Bank Group. Therefore, there is a suitable period of notice and transition for the company and its shareholders.

Foolish bottom line

The management behind a company is the driving force that spells success or failure for a business. A company can have a great product or service. However, ultimately, it's the management that implements strategies and initiatives who are responsible for the returns investors will partake of each year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CCA (COGECO CABLE INC)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)
4. TSX:RY (Royal Bank of Canada)
5. TSX:TD (The Toronto-Dominion Bank)

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