

Balance Sheet Management:

The real key to making profit in a trading company, essentially is one of balance sheet management. And when you talk about balance sheet management, you talk about two things in trading. You're talking about accounts receivable and inventory, turning that cash cycle as absolutely quickly as possible to go from inventory and positions in goods to account receivables and payment. The longer you wait, the more difficulty you have with problem areas. The time value of money eats up what profit you may have made. The interesting thing is that the margins on the actual trading don't guarantee profit. It just allows you to run the business efficiently and manage the balance sheet. And the one clarification to that is the margins that you get from the services provided with the actual trading in goods themselves will lead to large profits which are not quite as price competitive as the deal itself and very often the deal will be closed and the services will be thrown in afterwards. Quite often, companies putting the deal together will make money on the services while they may actually lose money on the deal.

Management Leadership:

Now the real issue is how do you make that transition from how a trading company operates and how it fits into the corporation. My view is that you have to have an individual who fits the people. That is, half a trader and by that I mean he has all of the aspects of a trader, he has a degree of autonomy, he wants to work fairly autonomously, he's basically an entrepreneur, he's willing to take risks, he's willing to make decisions rather rapidly and stake his reputation and his pay in most instances