



Albu *on* Strategy

Fall 2008

Five Steps to Weather the Downturn

We face some challenging times right now, and the uncertainty of 2009 and beyond will make or break many companies. But in times like these, there are opportunities for the strong to get stronger – so successful CEOs and owners should be launching initiatives that simultaneously address the short and long term. Consider these tactics as you prepare to ride out the storm, and make sure you're poised to take advantage of the recovery:



strengthen operations throughout the organization.

3. Ensure your workforce is productive – Make sure you have the best possible team in place to get you through the toughest times and

maximize sales and earnings as business recovers. Divide your human resources into “A” performers (highly skilled and indispensable), “B” performers (less experienced but able and willing to learn and contribute), and “C” performers (can and will be a drag on the company’s performance during tough times). Strengthen your team by replacing “C” performers, and making sure that “B” performers have opportunities to better themselves.

4. Prepare for the worst – During tough economic times, cash is king. Get a handle on cash flow needs, assuming worst-case sales declines. It’s best to understand what the worst could be, and prepare contingency plans that address these potential challenges.

5. Plan for the future – Companies with healthy balance sheets and strong cash flow need to position themselves to acquire market share at the expense of competitors. Now is the time to re-examine your long-term strategic plan and identify the revenue and profit growth opportunities you will pursue for the next three to five years.

1. Know your strengths and weaknesses –

Understanding your core capabilities and areas of vulnerability is critical during a downturn. Weaknesses in areas such as customer service, product quality and safety, and sales representation can be killers. Fix these weaknesses and leverage your strengths so that the organization is strong when the economy begins to recover.

2. Manage costs – During good times, companies tend to employ additional staff, carry higher inventories, and accept longer receivables. It’s time to bring your costs under control: identify areas of cost containment before sales go flat and margins go south, and organize a cross-functional team to identify and take action on cost reduction programs that will

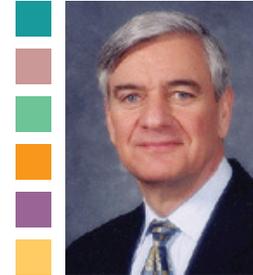
Bouncing Back from Adversity

Once again, Harvey MacKay strikes with a reminder to all of us. In a recent e-newsletter, MacKay writes about people and companies that survive because they know how to work around adversity: “The strong survive not because they are determined to conduct business as usual, but because they find ways to rise above the issue at hand.”

MacKay says, “No one can anticipate every possible problem or every possible turn in the road, no matter how hard you try. We can, however, resolve to face challenges head on,



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Dear Friends,

The vaunted rescue has begun, and unless you are in the financial services sector, the impact on your business will probably be nil.

The federal government may be bailing out the big institutional lenders, but the rest of us will have to supply our own buckets – and tighten our own belts!

CEOs and owners who have followed our advice in past newsletters are probably in a better position than most to weather this storm. If you have not, there is still time to take the steps outlined in our lead article. Step 5 in particular is critical to your company’s long-term success. Whether you have reviewed your long-term strategic plan recently or not, now is the time to take a hard look at it. The market is changing, and businesses that recognize that change and adapt to it will emerge winners in the end.

As Harvey MacKay points out, when times are turbulent, flexibility and resiliency are two of your company’s greatest assets.

Also focusing on the long term, the authors of our recommended book provide a twelve-step program for improving performance and building value in any company, large or small.

Come January, our new President is going to have his hands full. Yours are full already. If you could use a fresh perspective on the issues facing your business, *Albu Consulting* stands ready to help. We invite you to call us at 203/321-2147 or email RALbu@albuconsulting.com.

Best wishes for a happy holiday season and a profitable 2009.

Sincerely,
Dick Albu
President





RECOMMENDED READING

Rules to Break & Laws to Follow: How Your Business Can Beat the Crisis of Short-Termism

By Don Peppers and Martha Rogers

Planning for the long term can significantly impact your short-term results. In this book, Don Peppers and Martha Rogers suggest that companies “furiously centered on making today’s numbers will become increasingly blinded to everything else.”

Peppers and Rogers have asserted that many companies operate under three incorrect assumptions:

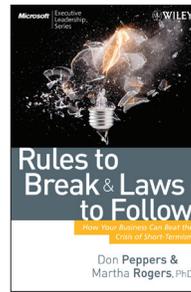
1. The best measure of success is current sales and profits
2. With the right sales and marketing effort, you can always get more customers
3. Company value is created by offering differentiated products and services

These assumptions lead to what the authors call a “Crisis of Short-Termism.” Peppers and Rogers believe these guiding principles are “dead wrong” because important decisions will be centered on making today’s numbers without regard for the long term impact on the business, which can destroy rather than create value.

To replace false assumptions, they suggest “12 Laws to Follow.” Although you might consider these 12 “Laws” obvious, they do remind us that putting the customer first will create long term value. This requires a change from Short-Termism decision making, to making

customer driven decisions that will positively impact the long-term performance and value of any company.

1. Long-term value is as important as current sales and profits
2. Create the most possible value from customers and prospects available to you
3. Earn and keep the trust of your customers
4. Treat each customer with the fairness you would want if you were the customer
5. To earn your customer’s trust, first earn your employees’ trust
6. With no customer equity you will have no future earnings
7. Culture will drive value, or culture will drag value
8. If being fair to customers conflicts with your company’s financial goals, then fix your business model or get a new one
9. Always use technology to create more trust
10. Customers may forgive honest mistakes, but they will never forgive dishonesty
11. Success requires constant innovation
12. Dissent and diversity drive creativity and innovation



Albuinfo

Albu Consulting is a business development and strategy consulting firm. We are transformation agents dedicated to helping our clients create sustainable profitable growth over the long term.

Working with owners, Boards, CEOs and leadership teams to bring out the best in companies, we seek to:

1. Optimize resource allocation by focusing on high priority, value-added initiatives, while eliminating wasted time and money on low priority activities
2. Create an effective and efficient organizational culture, increasing collaboration and communication, eliminating silos and building an accountability-based culture
3. Enhance management’s decision making process, making better decisions with more confidence over the long term
4. Create a culture of continuous improvement with a willingness to change

Founded in 1994, Albu Consulting is recognized for its content and industry expertise, and for delivering results that create value over the long term. Collaboratively with our clients, we provide practical and actionable recommendations that are rooted in sound, best-practice business principles, and industry knowledge.

Please contact me directly for a confidential discussion of your business issues; or if you know of someone that might benefit from our services, we would welcome the referral.

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“ The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty. ”
- Winston Churchill

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by keeping our minds wide open to solutions, listening to those around us and reprogramming as necessary to improve the odds of success.”

MacKay tells the story of a great oak tree that grew on the bank of a stream. For 100 years it withstood the winds, but one day a storm knocked the oak into a raging river and carried it out toward the sea. The oak came to rest on a shore where some reeds were growing and the tree wondered how these reeds still stood after the strong winds. The oak said, “I

have stood up against many storms, but this one was too strong for me.” The reeds replied, “That’s your problem... all these years you have stubbornly pitted your strength against the wind. You were too proud to yield a little. We, on the other hand, knowing our weakness, just bend and let the wind blow over us without resisting it.”

Companies that bend and change to deal with unforeseen problems will have resiliency to bounce back from adversity.