



Albu *on* Strategy

Spring 2006

How Well Do You Know Your Competition?

I'm writing this in the midst of "March Madness." If you like college basketball, it's the best time of year. Some of the greatest strategic minds coach these teams, like Coach Jim Calhoun of UConn and Coach Mike "K" Krzyzewski of Duke. Strategy plays a big part of each game — coaches have to establish their game plan by determining where to focus their resources and which skills to execute, while maintaining the ability to adjust strategy as situations unfold.



As any coach will tell you, a critical part of preparing your game strategy is analyzing the competition. Who are the key players? Who is strong and who is weak? Who can shoot the field goal and who can rebound? What are the greatest barriers to winning?

Every competitor has a different set of strengths and weaknesses. One way to assess your competition is to put yourself in your competitor's shoes; try to predict the likely changes they might make in their game, as well as probable responses to changes you are considering. Forecasting your competitor's possible actions helps you create a stronger competitive position.

Staying Ahead of Competition

Great companies always strive to find better ways to serve their customers and improve efficiencies. Herb Kelleher of Southwest Airlines said that "arrogance is the greatest danger to a successful company. A company is never more vulnerable to complacency than when it is at the height of its success."

At *Albu Consulting*, we ask our clients to "role play" by acting as the senior management of their most feared competitor. Clients think about the actions they would take to eliminate their own company from the market, or to seriously cripple sales and earnings. This exercise provides some very interesting and eye opening discoveries, because who knows your weaknesses better than your company leaders?

Jack Welch, author of *Winning*, recommends that managers assess their business with a set of five questions — or the "Five Slides."

1. What does the playing field look like now? (Scope out the competition.)
2. What has the competition been up to? (Where is the competition going? Are there new competitors?)
3. What have we been up to? (Scope out ourselves.)
4. What's around the corner? (Where are the threats?)
5. What is our winning move?

Good planning is essential to creating profitable growth. Good leaders, like coaches, make competitive assessment a priority.

There will always be winners and losers in the business world. Think about this:



of the 500 companies on the S&P Index in 1957, only 74 were left by 1998. Many of the failed companies were displaced by new competitors that offered customers products or services that were faster, cheaper or better. So it's likely that by 2020 there will

continued on page 2



Dear Friends,
In business, as in sports, competition breeds success. Boxing champs need sparring

partners; racehorses need pacers; Olympic records are broken when two powerful athletes compete.

Competitors keep you alert, they keep you focused, and they force you to continue improving products and performance. The stronger your competitors, the more important it is for your company to find and maintain your competitive edge.

In this issue, we look at how keeping an eye on the competition can make your business strong. We consider what makes for a real competitive advantage versus an ephemeral one. And we reinforce why, no matter how well your company is performing, you must never stop looking for ways to compete even better.

Not every company has a competitive advantage. Worse, even those that do may fail to recognize or capitalize on that edge. And while no manager can function effectively while constantly looking over his or her shoulder, a healthy awareness of what the competition is thinking and doing can help avoid the danger of complacency and maintain a position at the head of the pack.

One of our objectives at *Albu Consulting* is to help our clients identify and capitalize on all their competitive advantages. I hope this issue will help you do just that.

Sincerely,
Dick Albu
President





BOOK REVIEW

Competition Demystified: A Radically Simplified Approach to Business Strategy

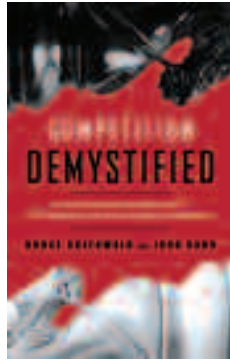
By Bruce Greenwald and Judd Kahn

I have always been intrigued by the role that competitive analysis and identifying competitive advantage plays in strategy, so when I found a book entitled *Competition Demystified*, I was certainly curious. Its simplicity did not disappoint me.

In *Competition Demystified*, Bruce Greenwald and Judd Kahn discuss the importance of identifying and capitalizing on competitive advantages. But first you must determine if competitive advantages exist in your industry. If they do not exist, you will be dependent on operational efficiencies and can expect competition to be fierce.

Greenwald and Kahn propose that barriers to entry and competitive advantage are essentially the same thing. If there are competitive advantages, they fall into three basic categories:

“Supply factors” — the company enjoys cost advantages in production, delivery or services over its competition.



“Demand factors” — customers become captive based on the high cost of switching to a new supplier or finding a viable substitute supplier.

“Economies of scale factors” — the company can spread fixed costs across large volumes, thereby reducing the cost per unit more than its competitors.

Some companies enjoy competitive advantage. Others do not recognize their competitive advantages, and therefore can not maintain or capitalize on them. And, it is not uncommon to find companies identifying competitive advantages that lack substance, like “great customer service” or “the highest product quality.”

I recommend this book to anyone interested in a new perspective on competitive advantage. Identifying and capitalizing on your competitive advantages can help in making better, more confident strategic decisions.

“ Strategy is simply resource allocation. When you strip away all the noise, that’s what it comes down to. Strategy means making clear-cut choices about how to compete. You cannot be everything to everybody, no matter what the size of your business or how deep its pockets. ”

Jack Welch, from his book *Winning*

Staying Competitive ... continued from page 1

probably be 200 to 300 new companies on the S&P 500, and most of today’s firms will be gone.

To avoid losing your market position, never allow complacency into your organization, and always keep a watchful eye on your competition. What have they done in the past that affected your business? What are they developing today that will affect

your future business? What can you do to continuously improve?

In a Dilbert cartoon by Scott Adams, the boss says to two of his managers: “I’ve got some good news and some bad news. The bad news is that huge companies like us can’t compete against small, nimble companies. The good news is that at this rate we’ll soon be the smallest company around.”

Albuinfo

Are you confident your strategy will get you the results you want? What is it costing you every day when plans are not executed effectively? Are your managers skilled at leading strategy development and driving execution? *Albu Consulting* is a strategy consulting firm focused on helping companies create sustained profitable growth. We help success-driven leaders find the right strategy, focus resources on the best ideas, and drive strategy through to completion. Founded in 1994, *Albu Consulting* is well known for its strategic proficiency and skillful facilitation, helping business leaders and their organizations uncover pragmatic solutions to operational problems and capitalize on opportunities.

Albu Consulting has a successful track record of exceeding its clients’ expectations. This is what one of its satisfied clients had to say:

**Craig Finny, President,
W. E. Bassett Company**

“*Albu Consulting* was selected to facilitate our strategic planning process. Dick Albu led the process and did an excellent job of challenging our key executives to address the brutal facts about our company and industry. His process helped surface key threats and opportunities and we addressed them in our planning. We were extremely pleased with our new strategy, which will solidify our future success in transforming our company to an international sales and marketing organization. Dick Albu was instrumental in taking our strategic planning process to the next level.”

If you would like more information about *Albu Consulting*, please contact:

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