



Albu *on* Strategy

Summer 2007

Planning Principles Then and Now

While attending IMD (an international management development program in Lausanne, Switzerland) over 20 years ago, I studied a book by Dean Derek Able, titled *Strategic Market Planning: Problems and Analytical Approaches*. Upon recently re-reading the book, I was pleasantly surprised to find a number of timeless insights.

Here is a refresher course in 10 principles of planning success (with my comments).

1. Get the support of senior management:

Without the support and commitment of the CEO, President and/or Owner, planning will not work. Don't ever start if the company leader is not a part of the solution.

2. Educate those who will be involved in planning:

There are two parts to this: making everyone involved familiar with the planning process, and setting realistic goals for the organization. The learning process does not end with a plan—it is a continuous process over the long term.

3. Ensure that all managers are actively involved in planning:

Engaging your leadership team in the planning process creates buy-in and commitment. It's their plan, so they will welcome accountability for its success.

4. Make heavy, but appropriate use of analysis:

Don't get bogged down by too much data and analysis. Rather, identify information gaps as you go, and fill them as needed.

5. Keep planning simple, and add complexity when the organization is ready for it:

Not all organizations are the same. Allow your people to



become familiar and comfortable with the planning process over the long term.

6. Make creation of a good plan the objective, rather than simply planning: Don't get so wrapped up in the process that you forget about the result you want: a great plan.

7. Make the reward-punishment system work in support of planning: Make people responsible and accountable to execute the plan, and be sure there are positive and negative consequences to deal with performance.

8. Tailor the planning approach to the characteristics of key people: Customize the planning process and plan to the organization's capabilities and capacity to increase the odds of success.

9. Allow sufficient time for planning: Successful operating plans are a result of sound strategic thinking. Time invested in planning will pay dividends over the long term.

10. Tie planning to year round decision-making: Monthly, quarterly and annual strategy reviews will provide a forum to deal with issues and opportunities as they arise.



Dear Friends,

Over the past 20-odd years I have read hundreds of business books and spoken with innumerable business leaders. And while each book and

conversation brings new insights, the rules for business success have not really changed substantially over the decades.

Sustained and profitable growth still requires a sound strategic plan. Creating a good plan still requires the participation and support of every member of the team. And the rules for successful teamwork are pretty much the same ones our coaches drummed into us on the football field, the basketball court, the soccer field or the baseball diamond.

In our lead story I revisit ten principles of planning success that I learned 20 years ago. Every one of them still holds true today.

Certainly the tensions described in our book review have been challenging decision makers for as long as most of us can remember. Finding the correct balance between profitability and growth, current vs. future results, and performance of the company as a whole with that of individual units is as hard to achieve as it is critical to ultimate success.

One mission of this newsletter is to help you to find that balance. If this issue has helped you, we'd like to know. If we can do better, we'd like to know that as well. Please call us at 203/321-2147, e-mail info@albuconsulting.com, or send a fax to 203/321-2148, Your questions, comments and suggestions are always welcome.

Sincerely,

Dick Albu
President

Sports Define our Lives

Harvey MacKay's recent newsletter refers to a new book by Brian Kilmeade, *It's How You Play the Game*. Kilmeade suggests that sports change people's lives. Many of the athletes he interviewed talked about how the discipline and rules they learned on the field prepared them to handle life and overcome adversity with dignity and sportsmanship.



Kilmeade writes, "Regardless of who you are, what era you played in, what sport you chose or how much success you achieved, playing the game is all about getting you ready for life—

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RECOMMENDED READING

The Three Tensions: Winning the Struggle to Perform Without Compromise

By Dominic Dodd and Ken Favaro

Leaders in growing organizations often face difficult tradeoffs – and they are challenged to find solutions that don't compromise the business's objectives.

In *The Tree Tensions*, authors Dominic Dodd and Ken Favaro suggest that these challenges can typically be categorized as:

1. Profitability versus growth
2. Results today versus results tomorrow
3. The performance of the company as a whole versus the performance of its individual parts

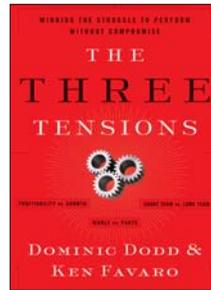
To better understand the decision-making tendencies of most senior managers, Dodd and Favaro conducted in-depth interviews with chairmen and CEOs of major corporations. They found that most companies focus on one "extreme" and then the other, flip-flopping back and forth to no long-term benefit.

To attempt to quantify this symptom, the authors developed a system of measuring company performance call the "Batting Average." The batting average measures how often a company achieves both extremes. If a company achieves growth and profitability in

three out of five years, it gets a 60% batting average. A company's batting average correlates closely with total shareholder return (TSR). The higher the batting average, the higher the TSR, and the authors claim "batting average is a better predictor for TSR than any other single measure of operating performance."

The authors explain there are three imperatives for breaking the corporate cycle of choosing between one of two tensions. First, make the batting average matter by ensuring there are no hidden biases for one goal over another. Second, strengthen the common bond within each tension by managing the relationships between the tensions, which they explain in detail. Third, pick a lead tension to narrow down the efforts to improve performance.

As a strategist working with business leaders, I found this book enlightening, having experienced first hand how companies deal with these three opposing strategies. I found the author's ideas interesting and worth taking note of. I would certainly recommend you read this book and come to your own conclusions.



Albuinfo

Albu Consulting is a growth strategy management consulting firm. We are entirely dedicated to helping our clients create sustainable profitable growth. We work with CEO's and their leadership teams to solve complex business issues and capitalize on priority growth initiatives to improve business performance over the long term.

Founded in 1994, *Albu Consulting* is recognized for its content and industry expertise, and for delivering practical and actionable recommendations. We provide comprehensive analysis based on market place realities and dynamics. Our recommendations are based solidly on sound, best practice business principles and industry knowledge.

We have a successful track record of exceeding clients' expectations. Here is what one satisfied client had to say:

Steve Ciskowski, President/CEO, The Lyman Farm, Inc.

"I was introduced to *Albu Consulting* about eight years ago. At the time, we were strengthening our operations base and developing a growth strategy that would leverage our brand and core competencies. Albu's wealth of experience helped us identify where our lines of businesses were in their life cycle and what expectations we should have for future growth. Along the way, Dick Albu's objective, yet constructive advice, challenged our organization's culture in a very positive sense, matching our strategic initiatives with our organizational resources. Dick's network of industry professionals was also valuable in bringing additional resources to the table. Many of the goals we have achieved and are pursuing today are a direct result of working with *Albu Consulting*. Their engagement with us will have a positive impact on our business for years to come."

Please contact me directly for a confidential discussion of your business issues or if you know of someone that would benefit from our services.

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“ To manage a business is to balance a variety of needs and goals. To emphasize only profits, misdirects managers to the point where they may endanger the survival of the business. Objectives are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business. ”

Peter F. Drucker, from his book *The Practice of Management*

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winning or losing has little to do with who you will become. Instead, it's how you prepared for the game that determines whether you'll be a winner or loser in life."

Football dominated my life in high school and part of college, and as long ago as it seems, I still appreciate the life lessons I learned. Kilmeade discusses several sports-related life lessons. Can you relate these statements to your life today?

- The power of visualization... you have to believe you will win
- Work ethic and perseverance... hard work pays off
- Being the best is a decision... push yourself to be the best you can be
- Play, win or lose, but play... no matter what your skill level, you'll learn about yourself
- Sports teaches you teamwork... your success depends on the team's success
- Never take anything for granted... the game is not over until its over