



Albu *on* Strategy

Summer 2008

Upturn Thinking in a Downturn Market

Nearly all companies are feeling the pressure of higher energy and raw material costs. In the midst of these difficult economic times, leaders naturally turn to cost cutting measures and restructuring efforts to control expenses. These actions should be applauded and have been responsible for the relatively shallow downturn of the past year. However, recovery from a down market is not enough to deliver sustainable profitable growth over the long-term.

Building long-term thinking into the restructuring process is critical. Successful companies build in "upturn" thinking even during the deepest downturns. Strategic planning is about creating a management system that drives both short-term and long-term decisions to bring out the best in any organization. Leaders who build this strategic tool into the fabric of their organizations will benefit the most.

Building upturn thinking in a downturn market means creating a management system that drives day-to-day operating decisions to address short-term results and prepares the company to take advantage of long-term opportunities. Keep in mind that:

1. *It's ongoing...* in today's fast changing environment managers need to remain flexible allowing for decision making as new issues arise. The process calls for constant and relentless follow up, and continuous refreshing of the strategy.

Jack Welch on Strategy

I read a lot both off- and on-line and sometimes I feel I barely can keep up, let alone remember anything. However, there are a few simple principles from Jack Welch's book, "Winning" that I feel are worth keeping in mind in any business, and appropriate as additional support for strategic planning in a down market (see lead article).

Welch says that, "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 everyone, no matter what the size of your business or how deep its pockets."

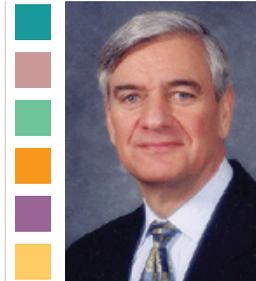


2. *It's incremental...* as time goes by, management skills to identify and proactively act on business opportunities will improve, and better decisions will be made more often and with more confidence. It is a continuous improvement process over the long-term.

3. *It's efficient...* the goal is to create a culture of accountability focused on both short-term and long-term results. This accountability focuses the organization on what is most important, while eliminating wasted time and money spent on low priority projects.

The strategic planning process should be flexible, allowing the company to change course as unexpected events come up, or eliminate unsuccessful initiatives and replace them with new opportunities. By measuring what matters at all levels of the organization, it keeps everyone alert to the goals and tasks at hand. It challenges assumptions regularly so that adjustments can be made as necessary. Lastly, it provides a forum for open communication and enhanced collaboration throughout the organization.

Balancing long-term and short-term thinking in a downturn market will help you stay ahead of competitors so that you are ready when better times return.



Dear Friends,

No matter what business you are in or how long it has been established, chances are 2008 is shaping up as one of the most challenging years you have ever faced.

Rising energy costs coupled with increasing anxiety about what the economic future will bring are putting a damper on virtually every segment of the economy.

When things get this tough, smart managers go back to basics. And basic to every business's success is a sound strategic plan. If you don't have one, this is the time to remedy that lack. If you do have one, there will never be a better time to review and update it.

In our lead story, we focus on the importance of balancing the need for short-term results with the company's long-term objectives. No down market lasts forever. By taking the right steps now, you can position your company to surge ahead when the inevitable upturn begins.

Regular readers know I am fond of quoting both Peter Drucker and Jack Welch. In this issue, you hear from both. In Recommended Reading, we review a new edition of an older Drucker book that puts the emphasis where it belongs: on planning as a process, not a one-time occurrence. And in our second front-page article we revisit an earlier Welch book for guidance on finding the big "aha" that will put your business head and shoulders above your competition.

If the need to focus on short-term survival is interfering with your vision for your company's long-term success, give us a call at 203/321-2147 or send us a fax at 203/321-2148. We've survived our share of downturns; we'd like nothing better than to help position your company for a rapid rise to the top when this down market turns up.

Sincerely,
Dick Albu
President



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RECOMMENDED READING

The Five Most Important Questions You Will Ever Ask About Your Organization

By Peter Drucker, with Jim Collins, Philip Kotler, James Kouzes, Judith Rodin, V. Kasturi Rangan, and Frances Hesselbein

This newly updated edition is based on a work that Peter Drucker completed 15 years ago. Drucker's original objective was to provide a method of self-assessment for non-profit organizations. This new edition has been updated and refined with for-profit companies in mind. More importantly, Drucker's ideas have been enhanced and developed by six of the world's leading management experts.

The five questions referred to in the title help to assess what you are doing, why you are doing it, and what you must do to improve performance. They are:

What is our mission?

Who is our customer?

What does the customer value?

What are our results?

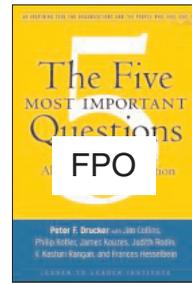
What is our plan?

Question one addresses the organization's reason for being, the purpose that inspires and defines what you want your organization to be remembered for. Questions two and three are

self-assessment tests.

They ask the question, how well are we doing and how do our customers perceive us? Question four is about measuring what matters; both qualitative and quantitative measures to assess whether progress is being made.

Question five addresses the plan, a concise document of the organization's future direction including the vision, mission, goals, strategies, and budgets. Unfortunately, planning is frequently misunderstood as making decisions about the future. Rather Drucker explains, "Planning is not an event. It is the continuing process of strengthening what works and abandoning what does not, of making risk-taking decisions with the greatest knowledge of their possible effects, of setting objectives, appraising performance and results through systematic feedback, and making adjustments as conditions change." The plan is then transformed into specific action... but not for next year; rather what action are we going to take tomorrow morning?



Albuinfo

Albu Consulting is a business development and strategy consulting firm. We are entirely dedicated to helping our clients create sustainable profitable growth over the long-term. We work with owners, Boards, CEOs and their leadership teams to bring out the best in their companies. The results we seek in working with our clients are to:

- Optimize resource allocation by focusing on high-priority, value-add initiatives, while eliminating wasted time and money spent on low priority activities
- Create an effective and efficient organizational culture, increasing collaboration and communication, eliminating "silos" and creating an accountability-based culture
- Enhance management's decision making process, encouraging better decisions with more confidence over the long-term
- 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 and sustainable profitable growth. Collaboratively with our clients, we provide practical and actionable recommendations that are rooted in sound, best-practice business principles, and industry knowledge.

Here is what one of our satisfied clients had to say about our services:

"We retained *Albu Consulting* on several major growth strategy projects which involved key business decisions for our company. In each case they provided us with excellent strategic thinking and fact based recommendations. They have been comprehensive and thorough in their analysis, and skilled at assessing and identifying growth opportunities that are practical and realistic."

Joseph Dattoli, Former President, Perugina Brands, a subsidiary of Nestlé USA

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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“ You can't grow long-term if you can't eat short-term. Anybody can manage the short-term and anybody can manage the long-term. Balancing those two things is what management is. ”

Jack Welch, Former CEO of GE

Jack Welch on Strategy... continued from page 1

Welch discusses three steps to achieving your strategy:

1. Come up with a big "aha" for your business ... a smart, realistic, relatively fast way to gain a sustainable competitive advantage. He suggests getting to the "aha" by answering a set of five questions:
 - a. What does the playing field look like now? (Scoping out the competition)
 - b. What has the competition been up to? (Where are they going? Are there new entrants?)
 - c. What have you been up to? (Scoping out yourself)
 - d. What's around the corner? (Where are the threats?)
 - e. What's your winning move?
2. Put the right people in the right jobs to drive the big "aha" forward. You need to match certain kinds of people with commodity businesses and a different type entirely with high value-added businesses.
3. Relentlessly seek out the best practices to achieve your big "aha", whether inside or outside, adapt them, and continually improve them. Strategy is unleashed when you have a learning organization where people thirst to do everything better every day.