



# Albu *on* Strategy

Summer 2009

## Three Critical Steps to Recalibrate Your Business

I received an economic report from a friend and Chair of Vistage, a leading CEO membership organization. The report was written by Roger Martin-Fagg, an economist from the UK, and he said, "It is now clear to me that we are not experiencing a typical business cycle. Instead we are in a discontinuity, where there is a step change in societies, systems and performance with outcomes which can only be guessed at, not forecast."

We are experiencing turbulence in global markets that is new to all of us. Everything around us is in recalibration mode. The US consumer savings rate is increasing to unprecedented levels, while retail sales continue to decline. This decline in US consumer demand will continue to have an impact on everyone, no matter what business you are in.

The good news is that US companies, large and small, have quickly taken steps to reduce costs, and are keeping ahead of sales declines. This has produced better than expected earnings for most. The bad news is that this cannot be sustained because there is a limit to cost compression. Restoring top line growth, particularly in this uncertain economic environment, is more important than ever.

Recalibration requires a disciplined, no-nonsense approach that will drive change and reset your business model. Consider these three essential steps:



- 1. Find Your "Profit Zone"** – The profit zone is the area of a company's economic activity where it achieves the highest profits, enjoys the greatest leadership position and where it can sustain and grow value. Focus on your profit zone and leverage that solid ground into new and emerging growth opportunities.
- 2. Forget The Past Selectively** – This is often one of the most difficult concepts for business owners to embrace. The concept is simple—there are some parts of your business that you should consider exiting. One question you might ask: if we did not offer this (product/service) already, would we offer it now knowing what we know today? Mature, stagnant products suck resources away from new and growing products. Make the tough choices by abandoning the past selectively.
- 3. Don't Expect Perfection** – It is an uncertain global market and predicting the future is more difficult than ever. This is where our *strategic management system* plays such an important role. There are four parts to successfully beating the odds in this changing world: get a strategic plan in place; convert the plan into action; execute relentlessly; and monitor and refresh the plan regularly. If you would like to learn more about how we can help you, please give us a call.

## Recalibrate for the New Normal

By Robert Krist

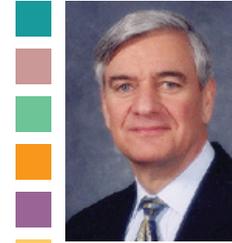
A recent article by Harvard Business Review (HBR) "Understanding the Post-Recession Consumer" recommends looking at the past to understand the future. Referencing an International Monetary Fund study, the authors report catastrophic downturns such as this recession, which are deep and enduring, can reset the outlook of whole groups of consumers, having a long-term

impact on buying behavior.

The severity of the downturn and steps being taken by governments globally to address the economic crisis means facing the "New Normal" as introduced by McKinsey and Pimco Investments.



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Dear Friends,  
While the global economy continues to be in a precarious condition, a few bright spots are emerging. Cost reductions have improved the profit picture at U.S. companies large and small. As we have pointed out in previous issues of *AlbuonStrategy*, because reducing costs is essential to maintaining or increasing your competitive advantage, it plays an important part in any operating strategy. But cost cutting has its limits.

Right now it is even more important for managers to take a step back and look at their overall business strategy. As *Albu Consulting's* Rob Krist points out in his article on the "New Normal," what was par for the course two years ago may be anything but normal today, and past performance is no guarantee of future success.

This issue focuses on the daunting but essential task of recalibrating your business strategy to the new economic realities. This requires that you look deep into the heart of the business to find, redefine and commit resources to the most promising opportunities for profit and growth, both now and into the future. It is an exercise that may be unnerving, even painful, but it is critical both to your company's survival today, and to its success over the long term.

When this recession ends, as it will, the competitive landscape may well be entirely different. Those companies that are able to look dispassionately at their business strategy today, and reshape it to reflect where the company needs to be tomorrow, are the ones that will not just survive but prosper.

If you are ready to start recalibrating your business for success in the new economic climate, *Albu Consulting* is prepared to help. Please call us at 203/321-2147 or email [Ralbu@albuconsulting.com](mailto:Ralbu@albuconsulting.com) with your questions, concerns, and challenges. The first call is always free, and the result may well be priceless.

Sincerely,  
Dick Albu, President





## RECOMMENDED READING

### RE-THINK: A business manifesto for cutting costs and boosting innovation

By Ric Merrifield

Considering we are experiencing one of the worst downturns in the 20th century, focusing on how to improve efficiency and cut costs make a great deal of sense. But as CEOs have shifted their attention to focusing on *how* the job is being done, they risk losing sight of *what* they are doing and why they are doing it. In *Re-Think*, Microsoft business scientist Ric Merrifield explains how to focus on the *whats* instead of the *hows* that drive your business.

Merrifield shows you how to look beyond the day-to-day clutter of your *hows* to expose what does and does not need attention in your organization. In *Re-Think* you will reexamine the *whats* of your business through a series of field tested techniques. You'll learn to:

- Identify the *whats* that are truly valuable and should be enhanced

- Determine which *whats* you are, and are not, good at, and which should be eliminated
- Analyze how the *whats* are connected, so that you can decide which to keep and which you can safely eliminate without destabilizing your business culture
- Calculate how your company, customers, suppliers and partners will adapt to this new landscape

Merrifield provides case studies of companies that “escaped the *how* trap and rethought their way to stand-out status” including Amazon.com, Lowe’s, ING Direct and P&G. He describes how these companies have learned to cut costs, strengthen innovation and profit from change all at the same time.



## Albu *info*

*Albu Consulting* is a strategy development and implementation consulting firm dedicated to helping businesses achieve sustainable profitable growth over the long term. We work with owners, Boards, CEOs and leadership teams to bring out the best in companies.

Our goal in working with our clients is 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.

Here’s what one of our satisfied customers had to say about our services:

“As a third generation family owned business, opportunities had led us to stray from our core strengths. *Albu Consulting’s* strategic planning process was truly a defining moment for our company. It led us to make many critical decisions about our business and it has become an integral part of our everyday operating philosophy. *Albu Consulting* managed the process to our specific needs, supplemented our weaknesses and treated us with the personal care and attention we expect from such a relationship.”

**Noah Lapine, President, David S. Lapine, Inc.**

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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“ Strategy is not the consequence of planning, but rather the opposite: it’s the starting point. ”

- Henry Mintzberg (Renowned author on business management)

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The “*New Normal*” will be defined by less financial leverage and more government, resulting in a slow and long economic recovery.

To prepare for the “*New Normal*,” businesses seeking growth need to recalibrate their overall strategy. Research shows while all companies suffer during a recession, the performance gap between strong and weak competitors widen. Investing time in *Finding Your Profit Zone* will facilitate the refocusing of strategies to take advantage of immediate opportunities presented by the downturn, while exploring ideas for long-term growth.

Adjusting to a lean operating environment will be a necessity while the economy recovers. But, research by HBR shows those businesses that invested behind innovation

initiatives during a downturn grew faster than rivals during the recovery. Tools such as portfolio management can help facilitate businesses to *Forget the Past Selectively* and release resources to fund new growth activity.

Actively maintaining your strategy is central to *Don’t Expect Perfection*. During turbulent times a more fluid approach to managing strategy can be required. Consider managing your growth strategy as a portfolio of initiatives, balancing the relative risk and reward of each initiative. The more familiarity management has with a growth initiative, the greater tolerance for risk and reward. This approach requires searching for high reward to risk initiatives, actively monitoring the portfolio, and reinvesting in successes and terminating failures. As only strong growth initiatives survive, overall risk is reduced.