



# Albu *on* Strategy

Winter 2009

## Reload, Refresh, Renew: Make Strategy Work Harder

The reality of today is that we are in one of the most turbulent economic times with a great deal of uncertainty in 2009. Not knowing what the short term future holds has caused many CEOs to delay investments, some of which are needed to achieve long term strategic goals. As a result, companies focusing only on the short term are at risk of jeopardizing their long term strategic objectives.

How can leadership teams improve the odds of achieving long term strategic goals in this challenging economy? The answer is to adopt a strategic management system that enables the organization to make better decisions, more often, with more confidence in both good and bad market conditions. A strategic management system enables the integration of long term strategy with near term operating decisions. This integration ensures that appropriate emphasis is placed on execution while also making strategy part of everyday business.

A recent survey by Robert Kaplan and David Norton, the founders and authors of *"The Balanced Scorecard,"* found that businesses having a strategy management system in place had a success rate 2 to 3 times higher than those that did not have a system in place. Seventy percent of those companies with a strategic management system reported that they were outperforming their peers.

## How Do Companies Make Good Decisions?

Making good decisions should translate to achieving the results you expect. In our lead article *Reload, Refresh, Renew*, we recommend implementing a strategic management system that will enable organizations to make better decisions, more often, with more confidence. So, how do companies make good decisions?

In a recently published article by McKinsey & Co., the firm shared results of their global survey on how executives made good decisions which delivered expected results.



The results of their study confirm *Albu Consulting's* own experience as facilitators of the strategic management system.

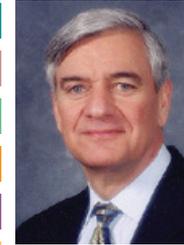
- There is a strong link to success when there is clarity as to who will be responsible for execution and that same person is involved in the decision-making process from beginning to end.
- Another finding was the value of encouraging a healthy discussion around appropriate



The strategy management system is a closed loop process with five main steps:

- 1. Develop the strategy** – identification of the mission, vision and values.
- 2. Translate the strategy** – describe/illustrate the strategy with objectives, metrics, and strategic initiatives that can be clearly communicated.
- 3. Plan operations** – align strategic plan/priorities to the annual operating plan and budgets.
- 4. Monitor and learn** – conduct regular reviews to monitor short term performance and progress in executing the strategic initiatives, and address strategic issues that come up throughout the year that need immediate attention.
- 5. Test and adapt the strategy** – conduct periodic meetings to assess if the current strategy is working given changes in the market environment, and update the strategy as needed.

The strategy management system provides a new model for conducting business, characterized by focused strategic thinking, clear priorities, continuous improvement and a willingness to change. If you would like to learn more about how *Albu Consulting, Inc.* can help you adopt a strategic management system, please give us a call.



Dear Friends,  
This May we will celebrate our 15th year in business. We celebrate another landmark with the addition of Rob Krist to our firm. Rob is a senior executive with extensive experience in strategy and business development over a 25-year career at Cadbury Schweppes and Kraft. Rob contributed to the articles in this issue. Thank you, Rob, and welcome aboard.

If you are like most of the managers we've been talking to recently, the day-to-day challenges confronting your company loom much larger than long-term objectives right now. That is understandable, yet this downturn will come to an end, and your company's long term success depends not just on how you respond today, but on how well you prepare for tomorrow.

This is not the time to abandon your strategy, but to make it work harder than ever. In our lead story, we review the five steps for developing and implementing a sound business strategy.

For more ways to implement strategy, our Recommended Reading suggests an excellent source that can help you integrate a strategic focus throughout your entire organization.

Poor decision-making certainly lies behind many of our country's current economic woes. A recent McKinsey survey, summarized in our second front-page article, provides some benchmarks against which you may want to measure your own company's decision-making processes.

If you'd like an objective third-party opinion on how well your company is positioned to make it through these tough times, we invite you to call us at 203/321-2147 or send an email to [Ralbu@albuconsulting.com](mailto:Ralbu@albuconsulting.com).

Sometimes it takes more than one pair of eyes to find the light at the end of the tunnel.

Sincerely,

Dick Albu  
President

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## RECOMMENDED READING

### The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment

By Robert S. Kaplan and David P. Norton

In 1996, Robert Kaplan and David Norton introduced the Balanced Scorecard System for setting strategic goals and measuring performance. In *The Strategy-Focused Organization* the authors show us how to transform the Balanced Scorecard to a tool for creating a strategy-driven organization. The authors argue that by adhering to five key principles, organizations can increase the odds of success. The five key principles are:

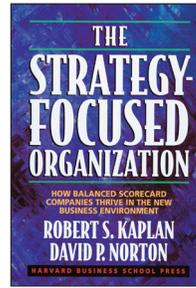
- 1. Translate the strategy into operational terms** – Strategy must be put at the center of the organization’s management process and strategy cannot be executed if it is not understood. Strategy Maps provide a framework for illustrating the strategy to the organization by showing how the organization’s intangible assets generate tangible shareholder value.
- 2. Align the organization to the strategy** – Strategies need to be aligned throughout the organization, both within business units and across departments. Synergies created by alignment increase efficiencies and effectiveness of the strategy overall.
- 3. Make strategy everyone’s everyday job** – Employees are ultimately responsible

for implementation of the strategy.

Therefore, successful organizations use three processes to align employees to the strategy: they create strategic awareness, they define personal and team goals, and they link incentives/compensation back to the metrics.

- 4. Make strategy a continual process** – Strategy-focused organizations use a “double-loop” process, integrating the management of budgets and operations with the management of strategy.
- 5. Mobilize change through executive leadership** – CEOs of strategy-focused organizations lead transformations, not small scale changes. Successful executives help build strategies, create and develop the team that will implement the strategy, and gain the commitment from the team necessary to achieve success.

The science of strategic planning and implementation has come a long way in the past 10 to 15 years, and Kaplan and Norton have been leaders in presenting new management concepts for this discipline. If you have an interest in strategic management, this is a book worth reading.



## Albuinfo

*Albu Consulting* is a business development and strategy consulting firm dedicated to helping our clients achieve sustainable profitable growth over the long term. We work 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, more often 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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“ A time of turbulence is also one of great opportunity for those that can understand, accept, and exploit the new realities. ”  
– Peter Drucker

*How Do Companies Make Good Decisions... continued from page 1*

analysis to address the decision’s risks and rewards. Companies often exceeded expectations when they included people with the right skills or experience in the decision making process, and when they made the decision criteria transparent.

- Putting organizational goals ahead of departmental or functional goals was very important to success. The decision making process needs to promote an environment where building consensus for the good of

the organization is rewarded.

- Although politics in companies have a bad connotation, it can also be a positive influence on the decision. Informal alliances among executives help foster aligned activities across the organization and provide a stage to build support for other projects. Better-than-expected results were realized when informal alliances were evident.