

October 2011 Edition



## Business Killer - Complexity

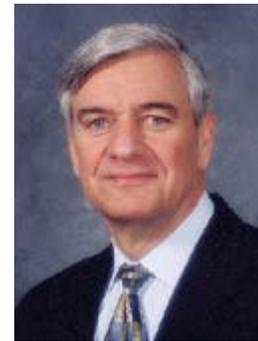
Creating unnecessary complexity in your company can be a business killer. It quickly leads to a lack of focus, which in turn leads to lost opportunities. Understanding what your organization does well and where resource should be focused to create business value is a basic premise of strategy management. While most CEO's understand this basic principle, business leaders seem to go through cycles of expansion by diversification that add complexity, and then back to retrenchment to focus on core competencies.

There has been a great deal of talk recently about the life and accomplishments of Steve Jobs. One writer called him the Thomas Edison of our times. Steve Jobs understood how to stay focused on a few things and create value around those few things. When Jobs returned to Apple in 1998, after his success with Pixar, there were 350 Apple products and he proceeded to reduce it to 10. As one person put it, "Jobs had a relentless focus on creating a small number of simple and elegant products."

Rather than add products, services and markets outside your competencies in the name of topline growth, look to focus resources on leveraging strengths and increasing competitive advantage to create greater business value. On that point, we are today witnessing a trend in business, from both large corporations to small and mid-size companies to reduce complexity. Ralcorp, Sara Lee, Kraft and Abbott Labs recently announced restructuring plans to split their businesses into smaller companies to create greater focus and value creation opportunities. We have seen this trend to reduce complexity ourselves with our own mid-market clients, specifically:

- A mid-market B2B company recently decided to explore divestment of one of its oldest product lines. The leadership team came to the conclusion that this long standing product line had limited future value potential and was a drain on company resources. As a result of this decision, the company can turn its attention to technology driven solutions that are experiencing rapid growth and offer higher margins.
- A consumer products company struggled to compete in two different product categories and managers were constantly competing for resources. The leadership team decided to restructure into two separate companies, which ultimately will provide a more balanced approach and greater value for the owners over the long term.

Reducing complexity is not necessarily the answer for everyone. Some industries and companies have created business models that have been successful in dealing with complexity. However, we recommend CEOs think about whether the growth strategies they are planning will create greater focus or unnecessary complexity. Consider these ideas from two thought leaders when evaluating strategic alternatives:



Dick Albu

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"There is an old cliché and it is still good advice. The less diverse a business, the more manageable it is. Simplicity makes for clarity. People can understand their own job and see its relationship to results and to the performance of the whole. Efforts will tend to be concentrated. Expectations can be defined, and results can easily be appraised and measured. The less complex a business is, the fewer things can go wrong."

*Peter Drucker (From his book: Management: Tasks, Responsibilities, Practices)*

- Steve Jobs had the courage to say no to many things before he said yes. If you are like most successful companies, you have an abundance of great ideas. Have the courage to say no to ideas that are outside your competencies.
- Peter Drucker said in so many words, have the courage to stop selling things or doing things that will not be a part of your future, even if it has been a part of your past for the last 50+ years.

We are always interested in your thoughts and comments. E-mail us about your experiences. We'd like to hear from you.

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## AlbuInfo

Albu consulting is a strategy consulting firm with a focus on establishing strategy management as an organizational competency. We work closely with goal driven, proactive owners/CEOs of middle market companies that are passionate and open to new ideas about increasing the value of their businesses today and tomorrow. We engage and energize leadership teams to formulate robust business strategies and follow through on execution of strategic initiatives.

To learn more, call us for a free consultation. For more information about Albu Consulting, visit our website at [www.albuconsulting.com](http://www.albuconsulting.com).

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