



Albu on Strategy

Spring, 2004

Acquisitions - They're Back!

After a three-year drought, during the second half of 2003 and continuing in the first quarter of 2004, mergers and acquisitions are back on strategic agendas.

Although deal volumes are still well behind those of 2001 and 2000, this is a welcome recovery. According to a recent article in *The Wall Street Journal*, as a result of the improving economy, rising stock

prices, two years of improving balance sheets, and the opening of financial markets, companies are beginning once again to think about growth via acquisition.

Even though companies are still cautious, which has lengthened transaction lead times, "proactive acquisition search" as a strategic growth initiative is back on

the table. By pursuing acquisitions proactively companies can maintain greater control over the process, and increase their odds of success.



With over ten years of experience helping companies implement the disciplined process of proactive acquisition search, we have learned some important lessons worth repeating. Here are seven

key principles that will enhance the business process and help maintain a realistic and practical approach.

1. The CEO must play an active role in all aspects of the acquisition process. Success depends on the complete support, participation and commitment of the senior officer.

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Dear Friends,

This issue marks the 10th anniversary of Albu Consulting, and this seems the right time to thank you, my loyal clients and supporters, for all you have done to

contribute to our success.

Recently an associate asked me which assignments I remember most vividly. Here are just a few examples:

1. Facilitated the discipline of strategic planning for a leading food manufacturer resulting in a major paradigm shift to leverage strengths, focus resources and thereby maximize sales and earnings growth.
2. Spearheaded the development of strategic growth plans for the US division of a European-based corporation, eliminating waste and focusing the organization on growth initiatives that enhanced people, process and profit performance.
3. Prepared a comprehensive competitive analysis for a national food manufacturer recommending strategic initiatives to enhance market and profit performance.
4. Helped a multinational corporation acquisition team assess the value of a multi-billion dollar acquisition candidate.
5. Developed an acquisition strategy for a division of a \$2 billion corporation, quantifying the opportunity, identifying potential acquisition candidates, and recommending action plans.
6. Worked with the management team of a US subsidiary to identify, approach, and negotiate alliance partnerships to leverage assets and increase profitability.

What assignments will stand out in our next ten years? I'm counting on you for the answer to that question! Enjoy our Anniversary Issue.

Sincerely,

Dick Albu, President

Consultants for Hire

Having worked the last seventeen years as a consultant, I would like to offer some advice to my friends and colleagues on how to get the most from a consulting assignment. Too often I hear how disappointed prospects and clients are about the work a consultant did for them. Here are some guidelines you should consider when hiring and working with consultants to ensure the assignment adds value.

1. Clearly identify the problem before you rush to use a consultant.
2. Get references if you don't know the consultant personally. Don't be fooled by fancy presentations and empty promises. Do the homework.
3. Agree on a clearly articulated plan, in writing, before beginning.
4. Communicate with your staff about the consultant's assignment. Let them know why he is there, what his plan is and how it will help them.
5. Allow the consultant time to get familiar with your business before starting the project. This will make him more effective in his work.
6. Be very clear about the deliverables you want. Consultants should be held accountable for the work they commit to.
7. Communicate throughout the process with the consultant. Follow up is the responsibility of the consultant.





BOOK REVIEW

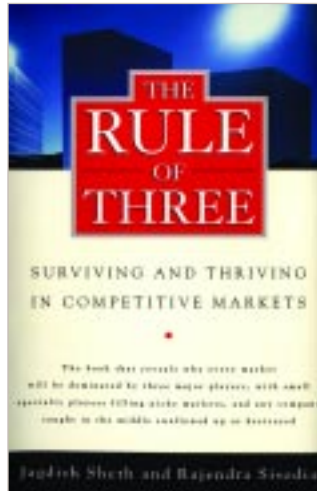
The Rule of Three: Surviving and Thriving in Competitive Markets

By Jagdish Sheth and Rajendra Sisodia

According to the authors' extensive studies, in nearly every mature industry there are three companies that control 70% to 90% of the market. Drawing on their research covering hundreds of industries, they state, "Natural competitive forces shape the vast majority of companies under "The Rule of Three."

The book documents the evolution of markets into two complementary sectors: The Generalist – catering to large, mainstream markets; and The Specialist – fulfilling the needs of customers at the high and low ends of the market. Any company caught in the middle is in the "ditch" and will most likely not survive.

I personally liked the simplicity and practical nature of the concept, offering strategies and examples for both generalist and specialist. Some key rules the authors suggest keeping in mind are:



1. The financial performance of the large players improves with increased market share, but only to a point.
2. If a "generalist" falls below 10% share of market, it falls into the "ditch".
3. Generalists that try to operate specialists' businesses generally fail.
4. The #1 company is usually the least innovative. The #3 company is usually the most innovative.
5. If the market is in decline and the #1 and #2 player are fighting for share, the #3 player falls into the "ditch," but specialists tend not to be hurt.
6. Companies in the "ditch" can rebound as specialists if they are able to identify a niche they can own.

This book certainly provides food for thought for everyone, and particularly for those engaged in strategic planning.

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2. Keep the acquisition search process alive and moving. Stop-and-go efforts present a picture of uncertainty and reflect a measure of indecision.
3. Be realistic, flexible and opportunistic in your approach to prospective candidates. Do not seek perfection in the process. Be prepared for surprises, and be ready to move quickly on new opportunities.
4. Employ a qualified outside resource. In addition to keeping your initiative confidential to avoid competition, an outside resource can extend your reach, add to your information base and enhance your creativity.
5. Do more target-by-target strategic thinking, and less quantitative analysis up front. Don't substitute data for insights and ideas about the target company.
6. Approach the right person in the target company. This is not necessarily the most senior officer. Secure the support of the decision maker and they will help influence the rest of the organization.
7. Negotiate with at least three serious acquisition candidates at all times. This increases your objectivity, bolsters confidence and accelerates the process.

Significant Events of 1994

JANUARY

Dallas Cowboys beat Buffalo Bills in Superbowl. Emmitt Smith takes honors as MVP

JANUARY

The Dow Jones hits a record high of 3,978.

FEBRUARY

Sergei Krikalev becomes the first Russian astronaut ever to join a US space shuttle mission aboard the space shuttle Discovery

MAY

The Channel Tunnel, a 31-mile tunnel under the English Channel linking England and France, opened

MAY

Albu Consulting, a business development and strategy firm, opens for business in Stamford, CT

SEPTEMBER

CATS celebrates its 5000th performance



Albuinfo

Albu Consulting is a business development and strategy consulting firm focused on helping companies create profitable growth. If you would like more information about Albu Consulting, please contact:

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