



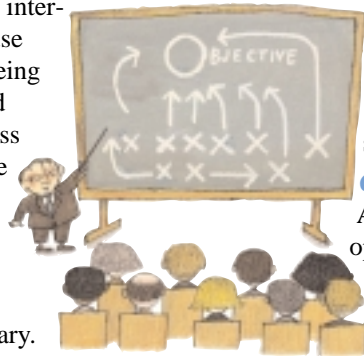
# Albu on Strategy

Winter, 2004

## When It's Time to Examine Your Growth Strategy

Company leaders should constantly challenge their organizations' growth strategies. But it is sometimes difficult to step back from the hectic day-to-day running of a business to recognize internal and external issues that cause sales and earnings to slump. Being sensitized to some well-defined warning signals can help address issues and problems early. Here are eight areas to consider.

- 1. Customers and competitors evolve and change.** Stay tuned to trends in your industry and adapt as necessary.
- 2. Watch for margin erosion.** Identify initiatives to improve cost structure well before margin erosion gets out of hand.
- 3. If sales are no longer responding to past techniques,** have the courage to initiate change and take bold action. Every company needs to reinvent itself periodically.



- 4. Over time products and services can become outdated.** Challenge and energize your managers to be innovators.
- 5. Recognize when the skills of your own people have plateaued.** The right people can make the difference between success and mediocrity.
- 6. Don't lose focus.** As companies grow, opportunities abound, but resources are not limitless. Avoid diluting resources unnecessarily.
- 7. Don't accept complacency.** Constantly challenge the status quo. Encourage a constant flow of creativity and maintain a high level of energy and enthusiasm.
- 8. Strategy is not static or rigid – it is dynamic!** Review and update your growth strategy regularly.



Dear Friends,

Thanks to all of our clients and friends for your encouraging comments about the first issue of *Albu on Strategy*. Our plan for 2004 is to continue providing you with actionable ideas and information on trends in strategy planning and implementation. As always, our goal is to help you enhance your company's performance and create profitable growth.

In this issue, we share a list of some business issues that can negatively impact corporate growth. We give you some insights into the thinking behind PepsiCo's transformation that has significantly improved profits and performance, highlight an excellent book on why some companies continue to improve their performance while others lag behind, and offer as "food for thought" a brief but insightful comment by author Constantinos Markides on the dynamic nature of strategic planning.

In today's challenging business environment, the companies that will succeed are the ones that have maintained their focus on long-term strategic planning rather than short-term, reactive maneuvering. I hope this newsletter will help you find and maintain that focus.

I encourage you to contact me with your comments and suggestions. If I can be of help in any way, please don't hesitate to call.

Sincerely,

Dick Albu, President

## A Pepsi Makeover

Over the past six years PepsiCo has gone through a transformation. It bought Tropicana, spun off its restaurant and bottling divisions and merged with Quaker Foods (Gatorade). The company today is smaller but better off. Sales in 2002 were \$25 billion down from \$31 billion in 1995, but operating cash flow increased to \$3.3 billion last year from \$1.4 billion in 1995.

Indra Nooyi, PepsiCo's President and CFO, worked with Roger Enrico on this incredible transformation. I've selected a few highlights from her leadership lecture at Wharton, which captures the spirit of PepsiCo's incredible journey.

"You have to think of a business like any

investment. You have to know when to get in, but more important, when to get out. The world changes, and so should the models we apply to our businesses."

"For a leader looking to initiate big change, the challenge is to state the objective in a way that grabs people. People don't break their backs because you tell them to or you pay them well. They do it because they see a path to a bigger, brighter future."

"Business and business people are constantly changing. Like a roller coaster, it can be scary. But when you come out alive and well at the other end, it can be very gratifying."

Source: *Knowledge at Wharton – Leadership and Change – October 2003. The complete article can be found at: <http://knowledge.wharton.upenn.edu/index.cfm?fa=viewArticle&id=865>*





## Albuinfo

Albu Consulting is a business development and strategy consulting firm focused on helping companies create profitable growth. The firm specializes in helping its clients formulate and implement strategies that focus resources on the most promising growth initiatives, thereby increasing revenues and profits.

Founded in 1994, Albu Consulting is well known for its collaborative approach to facilitating engagements, and has a successful track record of exceeding its clients' expectations. Its intellectual property is its current and extensive knowledge of consumer driven products and markets, and expertise in dealing with strategic and operational issues. The firm's clients range from Fortune 500 corporations to privately held middle market companies. This is what one of our satisfied clients had to say about the Albu Consulting:

**Joseph Dattoli, former Vice President/General Manager, Perugina Brands of America (Nestle USA)**

"Perugina Brands retained Albu Consulting on several major growth strategy projects which involved key business decisions for our company. In each case they have 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."

If you would like more information about Albu Consulting, please contact:

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## BOOK REVIEW

### Good to Great: Why Some Companies Make the Leap and Others Don't

By Jim Collins

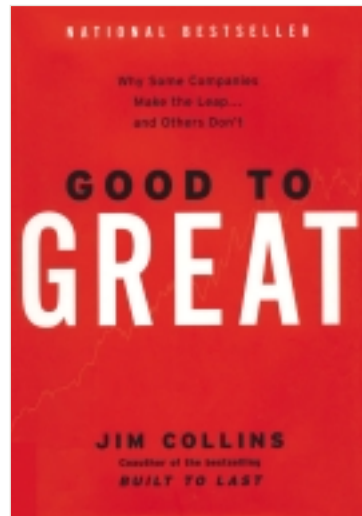
A New York Times best seller, this book is a practical study of why some companies become great while others remain just good. Jim Collins studied 1,435 companies looking for those that made substantial improvements in their performance over time and why. What I liked about the book is its simplicity. The author does an excellent job of distilling the reasons why some companies excel. Collins lists seven simple, yet essential factors, that separate the good firms from the great ones.

1. CEO's put their companies ahead of their own egos
2. CEO's focus on getting the right people in place before pursuing a new strategy
3. Management is willing to admit weaknesses and problems
4. The company is committed to being the best in the world at its core competency

5. The company has disciplined people...A culture of discipline
6. The company tends to find new uses for widely available technologies
7. Momentum is built slowly rather than in a single leap.

Interestingly, great companies did not have a flashy and colorful CEO. They did not use technology to begin the process of transformation. Nor were they in dynamic industries.

Actually, Collins suggests that many were "down-right boring." Rather, these companies moved along with a steady determination and commitment that slowly carried them into exceptional performance year after year. This is definitely a worthwhile read and merits your attention.



“ Designing a winning strategy is the art of asking questions, experimenting and then constantly renewing the thinking process by questioning the answers. No matter how good today's strategy is you must always keep reinventing it. ”

By Constantinos Markides  
(from his book, *All The Right Moves*)

