



# Albu on Strategy

Summer 2005

## STRATEGY Requires "TLC"

*TLC* is commonly recognized as "Tender Loving Care," and while it certainly applies to the CEO's essential emotional commitment to the company, I like to define this acronym differently. As it relates to successful strategic planning, *TLC* refers to the CEO's commitment to "Time, Leadership and Change." Let me explain.

**Time** — Committing quality time to the strategic process is critical, and the CEO must balance time demands to keep the organization engaged and motivated while ensuring attention to the day-to-day needs of the business. Managers will generally welcome an opportunity to participate in the strategic planning process, but it is difficult to invest time in both strategic planning and their day-to-day responsibilities. It is the CEO's responsibility and challenge to make sure that strategic planning does not lag behind while ensuring the business's needs are met.



**Leadership** — Leading the strategic plan is the CEO's most important role — you cannot delegate leadership of the strategic planning process. Leadership means taking charge, communicating your goals, ensuring the process moves along, and requiring commitment from the strategy team. Commitment from the top is the fundamental link to a robust, workable and winning strategy.

**Change** — Strategy renewal or optimization often requires courage to change. The challenge for many organizations is to acknowledge that the status quo is no longer acceptable, and change is needed, and then take the necessary action steps. The CEO's responsibility as "Senior Change Agent" is to encourage change throughout the organization, and require commitment to the plan.

The strategic planning process requires a great deal of attention and commitment. A little *TLC* from the CEO will go a long way in helping to make it a positive experience and a success.



Dear Friends,  
A little *TLC* can go a long way, particularly for a successful CEO who is genuinely committed to his company and its challenges. In this issue, we look at how *TLC* and the CEO's role are critical to a successful strategic planning process.

Increasingly competitive markets keep change on our mind. In this issue's featured book, authors Constantinos Markides and Paul Geroski show us why companies that create new markets — radical innovators — don't usually become market leaders. Their advice: let startup firms create new markets; established companies should work at securing "fast second" positions, i.e., gaining market leadership through acquisition.

Making smart acquisitions is one thing; integrating them into an existing business is quite another. Check Kenneth Freeman's four integration principles, summarized from his recent article in *Strategy & Business/eneews*. It's all about relationship-building and it, too, takes *TLC*.

At Albu Consulting, we understand that launching and implementing a successful strategic planning process requires leadership and commitment, and it is critical to the company's future. If you would like to discuss your company's planning process or how you can address change through acquisition or innovation, we invite you to call 202/321-2147 or send an e-mail to [info@albuconsulting.com](mailto:info@albuconsulting.com).

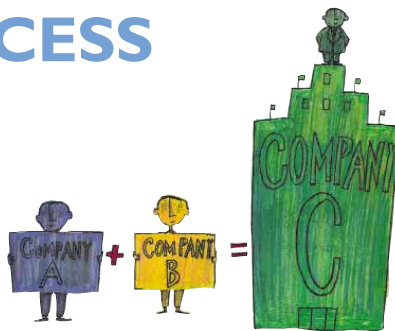
Sincerely,

Dick Albu, President

## Acquisition SUCCESS

*Words of Wisdom from Kenneth Freeman*

Strategic acquisitions are making a comeback, led by big mergers like P&G/Gillette, SBC/AT&T and Sears/K-Mart. However, history has shown that two-thirds of acquisitions fail to achieve their intended objectives. How will this new surge in acquisition fare? Adhering to some basic strategic and operating principles may help. Kenneth Freeman's article in the June 2, 2005 issue of *Strategy & Business/eneews* offers some straightforward advice. "Never make more deals than your company can fully digest or integrate at one time, and be certain that you can create shareholder value from the acquisition within the first year."



Freeman joined Corning Clinical Laboratories in 1995, just after the company grew to \$1.6 billion primarily through acquisition. His advice to those who decide to grow through acquisition is summarized in four simple integration principles:

1. "Serve all customers without disruption." Be sure that customers are treated with

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## BOOK REVIEW

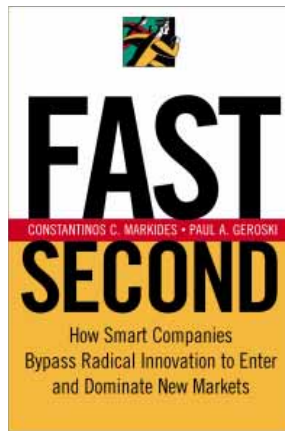
### FAST SECOND — How Smart Companies Bypass Radical Innovation to Enter and Dominate New Markets

By Constantinos C. Markides and Paul A. Geroski

In our rapidly changing, highly competitive marketplace, it is commonly believed companies that create new markets become leaders. But as Constantinos C. Markides and Paul A. Geroski explain in *Fast Second*, this is myth rather than reality.

The authors propose, “While product or service innovators create markets, countless cases prove that radical innovators generally are not the ones that scale up the markets and dominate them.” Radical innovators, usually start-ups and entrepreneurs, typically lack the skills to scale up to serve the masses — it takes one set of skills to create new markets and another to take a product or service to the mass market. Therefore, Markides and Geroski argue that most established companies should let startup firms create new

markets. Established companies should focus on gaining “fast second” positions in the market, by seizing market leadership from radical innovators. For example did you know that Amazon is a “fast second” company — the first online bookstore was actually Charles Stack, an Ohio retailer that created an online market in 1991.



Acquisitions and joint ventures are once again on the rise in 2005 after a significant downturn since 2000. *Fast Second* provides an interesting perspective as it relates to acquisition strategy. Established companies looking to solidify or broaden their core competencies should consider proactive acquisition search of radical innovators as potential growth initiatives. Proactively pursuing these opportunities could give your company a significant competitive advantage.

## Albuinfo

*Albu Consulting* is a business development and strategy consulting firm focused on helping companies ignite passions to create profitable growth. The firm specializes in optimizing business strategy and improving management effectiveness, thereby focusing resources to increase 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. The firm’s strength is its current and extensive knowledge of a range of products and markets, and expertise in dealing with strategic and operational issues.

A satisfied client had this to say about *Albu Consulting*:

“Perugina Brands retained Albu Consulting on several major growth strategy projects which involved key business decisions for our company. In each case they provided us with excellent strategic thinking and fact based recommendations. They were comprehensive and thorough in their analysis, and skilled at assessing and identifying growth opportunities that were practical and realistic.”

*Joseph Dattoli, former General Manager, Perugina Brands of America (Nestlé USA)*

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“ Good tactics can save even the worst strategy. Bad tactics will destroy even the best strategy. ”

By General George S. Patton, Jr.

*Acquisition Success... continued from page 1*

- care by visiting each individually, communicating your goals, and seeking their advice.
- 2. “Treat every employee with fairness, dignity and respect. Maintain open and frequent communication.”
- 3. “Move with deliberate speed. Synergies are realized only once, whereas satisfied customers and employees are a recurring, long-term source of value.”

- 4. “Learn from each other. Establish integration teams with members of both companies to help develop strategic plans and timetables.”
- Freeman closes by suggesting that acquisitions can be compared to romance: “It’s not the courtship that’s important, but the continuing relationship called marriage.”