

MetaManagement Communicator

MetaMatrix Consulting Group, LLC.
Consulting & Speaking Services

Information created to inform, educate and prepare management to lead

Article This Issue:

MEGAMERGERS: What's the Big Deal

WHAT'S NEW: Changing Times Means Changing Strategies

MEGAMERGERS: What's the Big Deal

Hewlett Packard announced that they are acquiring Compaq in a \$25 billion stock swap deal. For a consumer hearing the news, not much will appear to have changed with the exception that perhaps they'll see a new logo appear in the already "commoditized" PC market. For the executive hearing the news, the assumption is different. Change will most definitely occur in one of two fashions. First, if one of these giants is a vendor or a customer, the executive could be looking at new or modified products to offer the marketplace or to use internally. Second, if not directly impacted, the executive has much to learn in the way of alliances by studying the specifics of the merger.

In the area of alliances, and specifically mergers and acquisitions, traditional media outlets of television, radio and newspaper do an excellent job of bringing to us a wealth of current event happenings. Unfortunately, we too often remain satisfied in simply knowing that the alliance has been formed. To grow and extend our current field of opportunities, once in a while we need to look deeper, below the surface to know the how, what and why of the stories we hear.

What we know of the HP/Compaq deal is that both parties are attempting to cure the woes of sluggish sales. Both companies been forced into playing new pricing strategy games and have slashed personnel in masses of thousands at a time. HP just recently lowered the prices of their Netservers upwards of 23% to maintain market share, reduce inventories and to position the firm as competitive. Carly Fiorina, CEO, has already cut 6000 jobs and has seen net profits drop 80% this year. Over the past few weeks, Compaq has announced layoffs of over 4000 employees after a quarter with slow sales while expecting over 8500 layoffs for the year. Heightened competition and a price war between all the major competitors have transformed the image of the computer from its once marvel-of-technology stature to its current status as an everyday business appliance. A typical office desktop computer can now be purchased at prices between \$750- \$1300. Do we know much more?

In the future, when you read about alliances whether they are mergers, joint ventures or project ventures (and the list goes on)

Ask questions. Here are a few samples.

What is the competition on the playing field?

Where are pockets of sales and profitability, and how do they improve with the formation of the deal?

What are the current market conditions that prompted this move? If conditions changed in the near future, would this alliance continue?

How did technology play a role? Was it the right role?

What are the distribution advantages?

How are the parties going to manage human assets, including senior and mid-level managers?

What could they have done differently? What did they do right?

Who within the firm created the synergy and relationships to pull the alliance to fruition?

Look at your organization and ask what you could be doing right now in terms of alliances, or mergers and acquisitions, to make your firm more competitive and profitable. Consider:

Relationships with vendors. Can you ask special favors in terms of lowered pricing or rapid delivery? What can you offer in return? Do your vendors work exclusively with your firm in your geographic area?

Loyalty of customers. Do your customers perceive a value with your firm that goes beyond traditional pricing advantages? Do your customers refer other business to you? Have you become an integral part of your customers' goals and/or operations?

Gains from "piggy back" associates. Are there other businesses that compliment your products and services that could work in partnership with your firm? What industries or organizations benefit from what you do?

Benefits from joining forces. Can you pinpoint another firm in your industry that would sure up weaknesses in your current position? Would you be willing to team up with competition to give you a competitive advantage?

And remember what we say about alliances. If the equation is $1 + 1 = X$, and X is no more than 2, then abandon the project. If the sum of the alliance equation is 4, 7, 10 or more, then it's a deal worth looking into further. In other words, joining forces should yield greater dividends than working as single entities would, or the alliance doesn't provide enough value to compensate for the time and money that will be spent.

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People around the world have taken a roller coaster ride over the last decade, and it's no wonder that a lot of them are nauseous from the trip. Having romanced us with her glittery façade, Lady Dot.com, now stands exposed without her makeup, and we're disillusioned with the reality. The boisterous birth of the Internet showered us with opportunity beyond our imaginations and caused us to abandon bricks for clicks. Even the transportation industry boomed, as we all clamored for coveted modems and cables so that we, too, could play for prizes. And now, it seems that some are heading home with hunched shoulders in search of antacids to ease the stomach, because they believe the good prizes are taken and the gates are closed. How sadly mistaken they are. Now is a time of opportunity, and if you are willing to make modifications, you can create strategies that build stronger and more profitable organizations in the present and in the future.

You'll need to develop strategy by covering 4 critical steps.

DEVELOP A NEW AWARENESS: Take a good hard look at your market conditions, covering competition, target market(s), and the business marketplace in general. Clearly write a situational analysis in each of these three areas. Be sure to acknowledge your weaknesses as a leader and as a firm, and don't overlook what's happening in other industries to regroup. This is the key element--the situational analysis MUST include not only the reality, but the perceptions of and about each area.

DEVOUR NEW INFORMATION: After completing Step 1, we expect you to ask what to do with the information. Before you do anything, you have to acknowledge where you need to educate yourself in order to make decisions. Do you know fully understand the projects, goals and progress made in the R&D side of your company as well as you should be able to best utilize the talent on board? Is the marketing of the company reaching the right people at the right times? How strong and well stocked are your Competitive Intelligence information banks? What new products are on the horizon, and do they fit today's marketplace needs? What role is technology playing in your daily operations, is it up to date or should you abandon projects in the pipeline? Review strategic planning tools and alliances. Commit yourself to seizing a solid, rapid education in areas where you are weak.

STRATEGIZE AND GET IN THE TRENCHES: Develop strategies that 1) keep all the plates spinning at once, and 2) cut WASTE, not costs. Don't fall prey to the misconception that in order to protect cash flow you have to make cuts in areas like marketing and sales. Look at the development of systems as a means of cutting waste, thus protecting cash. Additionally, look at vendor alliances. If you've developed alliances with your vendors, they should be able to offer end quantity pricing for lower volume or to extend payment terms. Speaking of cuts, cut the touchy feely stuff and roll up your sleeves. Nice words are just that, words. Your staff needs action, and the leaders who emerge the strongest are those who will get in the trenches with their people and lead through action and by example.

BUILD A FUTURE THAT FILLS THE GAPS: If you feel that your hands are tied and you simply can't take advantage of the endless opportunities out there today, you need to take a strong assessment of your organization and your leadership skills now (while you're still feeling the pain). Be honest about where you see gaps in the organization, and create a plan for being ready for the next time.

The key areas you need to look at are:

Planning: Goal setting and strategic planning, logistics, manufacturing strategy, order winners and order qualifiers, and tactical formulation that is appropriate for your industry.

New Produce Development: Types of NPD procedures, funds and qualified personnel, market research, competition, and areas of marketing.

Alliances: With your vendors, customers, groups who compliment your products and services, and the different commitment levels of various types of alliances.

Technology: CRM and office automation, information filing and filtering, web design and usage, and technologies relevant to your trade to keep pace with customer demands and expectations. Make sure technology works for you and is not hindering progress.

Sales: Look at every area of your organization, from accounting to janitorial staff, in terms of the sales messages each sends to customers, vendors, and others on whom you depend for income. Do you have a comprehensive marketing and sales strategy?

Today so much seems uncertain, and the rules of the game

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Look like they're changing again. Chaos is good; it's full of opportunity. If you know that and your competition doesn't, chaos can be used to your advantage. Follow these four easy steps, and strategize your way to stability, opportunity, and a future of solid growth. Now, doesn't your stomach feel better already?

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