

## The Three Secrets of Success: Focus Focus Focus

The front business page of the *Chicago Tribune* shows an emotional photograph of two female AT&T employees embracing. They have just heard that 40,000 jobs will be eliminated as their company breaks into three parts to better "zero in on communication services." This comes after a "successful" hostile \$7.5 billion AT&T takeover of NCR Corporation in 1991 in an attempt to enter the computer business.

*"Buying NCR was a colossal mistake. I wish that these executives could get past this blind faith so many seem to have in synergy. Faith belongs in church, it won't help you in the marketplace."*

A. Michael Noll, Professor, University of Southern California

AT&T also announced it will close its 338 Phone Center retail stores, and will rely on other retailers to sell its telephone, answering machine and related products.

But AT&T is just one of the latest to recognize the importance of focus.

- ♦ Sears returned to its retailing roots by spinning off Allstate Insurance and Dean Witter Discover Card, and announced its intention to sell its stake in Prodigy on-line services.
- ♦ United Airlines acquired and then divested Hertz rental car and Westin hotels.
- ♦ Quaker Oats acquired and divested Fisher Price toys.
- ♦ General Mills acquired and then built the country's largest casual dining operation with Red Lobster and Olive Garden restaurants, and recently spun them off.
- ♦ 3M is now spinning-off its data storage and imaging systems products into a stand alone company, and closing their audiotape and videotape businesses.

Each company initially envisioned exciting synergy.

Each of these new businesses was seen as an attractive way to accelerate corporate growth. Each company believed they could build on their expertise and customer franchise, and create a stronger and more competitive critical mass.

And why not?

Each company was already viewed as a market leader with excellent management.

What happened?

In each case the hoped for synergy simply did not develop. What is interesting is that on the surface these combinations seemed so logical.

- ♦ Why not leverage AT&T's technology and equipment leadership?
- ♦ Why not sell Sears' huge customer base the insurance, financial and on-line services they were buying someplace else?
- ♦ Why not tie in the United Airlines traveler's need for a rental car and hotel with one stop shopping?
- ♦ Why not apply Quaker's children's cereal marketing and product development know how to toys?
- ♦ Why not take the food marketing expertise of General Mills to restaurants?
- ♦ Why not build on the 3M Post-it® and tape franchise in the office supply market with consumable media products?

Because, in each case, these new businesses impeded the company's ability to **FOCUS**.

*"The complexity of trying to manage these different businesses began to overwhelm the advantages of our integration."*

Robert E. Allen, AT&T Chairman

### Why is Focus Important?

Focus is important because it enables a company's true Core Competencies to be fully leveraged. Those activities that lie beyond the company Core Competencies tend to distract management and undermine the return on human and financial assets.

Each of these companies ultimately decided that these businesses were outside of their true Core Competencies.

Clearly identifying the company Core Competencies is the first step to achieving the full potential of Focus.

This is not always as easy as it may appear. Understanding what truly represents company Core Competencies requires an

honest and candid appraisal.

Personal biases, departmental loyalty, and long held internal beliefs can all distort the ability to clearly identify the underlying strengths of the firm.

The important issue is to understand how critical a particular Core Competency is to assuring ultimate Customer Satisfaction for that company's offering.

## \*\*\*\*\*More Focus

Amoco, the Chicago based oil giant, decided to sell its Amoco Motor Club unit. The club was formed in 1964 to offer Amoco credit card holders on-the-road services such as emergency towing. Servicing of the 2 million customer credit card business was outsourced last year.

According to company officials, this will allow Amoco to "Focus on its core petroleum, chemical and natural gas business."

Amoco has also recently announced the intention to sell its polystyrene foam business which makes cups, plates and insulation.

Their decisions appear to be relatively easy ones when company Core Competencies are fully considered.

## \*\*\*\*\*And More Focus

Anheuser-Busch decided to Focus on its beer business and divest its Eagle Snacks and St. Louis Cardinals baseball team. While salty snacks seem a perfect adjacent product category to the world's largest brewer's beer business, the division lost \$25 million last year according to a company statement. The Cardinals baseball team was originally purchased in part as a logical promotional vehicle for the core beer business. The company reported the team lost \$12 million last year.

When we think about Core Competencies required for success in these three businesses, is their decision really surprising?

## \*\*\*\*\*And More Focus

Consumer packaged goods giant Procter & Gamble implemented sweeping changes to its national sales force according to *The Wall Street Journal*. Under the new structure each of the company's 500 largest customers is now serviced by a single P&G account manager.

This move recognizes the importance of *customer* management rather than *brand* or *division* management with rapidly consolidating customer groups.

This new Focused method of servicing its key customers is intended to reduce selling expense and make more effective use of its trade marketing budgets. Previously customers dealt

with multiple P&G representatives from each product sector such as soap, food and beverage, and paper.

Such a customer Focus promises more coordinated, comprehensive and timely response to each customer's needs. It also offers the opportunity to exert greater leverage to broaden distribution on some of P&G's secondary products.

## \*\*\*\*\*And Still More Focus

Baxter International Inc. will now split into two \$5 billion companies, undoing the acquisition of American Hospital Supply in 1985. Baxter's Core Competence of developing high profit, high risk medical technology products did not fit with the cost control focus required to operate the acquired wholesaler of commodity products such as bed pans and gowns.

The medical products synergy envisioned just never happened. In hindsight when we look at necessary Core Competencies it is easy to see why.

## \*\*\*\*\*Finally

Dial Corp. has decided to separate its soap and consumer products business from its airline-catering, convention, and money-order services business through a spin off.

"It's a common-sense thing to do," said Dial's chairman John Teets according to *The Wall Street Journal*.

We welcome your comments, thoughts and experiences with Focus and Core Competencies in the marketplace.



"All glory comes from daring to begin." Anonymous

"Look at things...as they can be." David Joseph Schwartz

"Never say Never." Robert H. Schuller

"Failure is success if we learn from it." Malcolm Forbes

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