



Gleanings

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Did you know?

Most grasses and shrubs grow well after fires, and animals are attracted to the tender and nutritious new growth...

MSN Encarta

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Natural Business Cycles

Is downsizing a normal and healthy product of natural business cycles? On December 26th of last year (i.e., 2002), *The New York Times* business section published an article titled "Downsizing Could Have a Downside". Researchers are investigating the impact of layoffs on long-term organizational performance. Do layoffs really help organizations? Theoretically, layoffs can reduce an organization's long-term cost structure and increase labor efficiency. However, layoffs create short-term costs due to severance packages and inefficiencies due to a demoralized workforce. There is also a cost if the company re-hires part or all of the positions that were eliminated. The research is unclear as to whether or not the long-term benefits of layoffs outweigh the short-term costs.

During prosperous times, organizations tend to become less and less efficient. The second law of thermodynamics states that an isolated system gets more disorderly with the passage of

time and loses its ability to do efficient work. This phenomena is true of organizations that fail to strategically consider natural business cycles. Many managers realize that their organizations get inefficient during prosperous economic times due to, among other things, lax management and sloppy business plans. Good times make everyone less vigilant, as managers are lulled to sleep with the mindset of "if isn't broke, don't fix it".

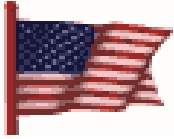
Slow economic times provide opportunities for adroit managers to prune the inefficiencies, eliminate poor performers, and sharpen the focus of the organization. Perhaps this natural business cycle is comparable to fire clearing out an overgrown forest in preparation for the next season of growth. This means that slow economic times are really a blessing in disguise. If this is the case, should we not embrace downsizing for its intended purpose? Better yet, should we not be strategic and plan ahead for the next natural business cycle when times are good?

Strategies@Work

You may have noticed that I have a new company name. So you ask, why have I changed the name? After all, I have used the name GRC Investments for over 15 years. And why have I chosen the name Strategies@Work? These are great questions. My marketing friends keep telling me that I need a new name, because GRC Investments does not describe the services that I provide. While I am a registered investment advisor, my business activities are broader than this. I help business owners and executives think, plan, and act strategically with their businesses as well as their investments. So to better reflect this reality, I have chosen the name Strategies@Work, LLC. The name has an interesting subtlety to it. While, I

am focused on strategies in the work place, I also offer strategies that work. In Leonard Berry's book Discovering the Soul of Service, he quotes Ed Shultz, Chairman and CEO of Dana Commercial Credit, who said, "You are not going to be successful until you have the strategic plan..." (page 48). Berry argues that a success-sustaining characteristic of superior companies is strategic focus (page 63). If there is one focus for me it is strategic processes and results that transform organizations to produce excellence. This is what drives me; hence, my tag line is "Solutions that Transform". So what's in a name? It embodies the essence of my focus – Strategies@Work, LLC "Solutions that Transform".

New Year's Resolutions and Other Things



Here we are again, another new year, a fresh start, new year's resolutions, holiday activities, football games, food, and planning – at least for some. By planning, I am talking about strategic planning. But what is strategic planning? The web site www.investorwords.com defines it as: “the process of determining a company's long-term goals and then identifying the best approach for achieving those goals.” The book Applied Strategic Planning by Goodstein et al offers the following definition: “the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future” (page 3). Personally, I like the latter definition as it focuses on bringing reality to vision. Every organization needs to devote some annual focused attention to articulating its vision and determining how to make it happen. The world is constantly changing, which means that organizations, that seek to be relevant, must be continually evaluating what they are doing and where they are going. This assessment process should also include allowances for the pruning mechanism of natural business cycles mentioned on page 1. Strategic planning provides an excellent venue for assessing the current condition of an organization, envisioning its future, and determining how to transition from the present to the future. My clients, who embrace strategic planning with commitment, consistently achieve positive results. If you have not participated in this process, I strongly encourage you to give it a try. Please let me know if I can assist. And remember the words of King Solomon who said, “Where there is no vision, the people perish...” Proverbs 29:18. Best wishes for a happy and prosperous New Year!!

Your comments and questions are invited!!!



Serving clients by providing business and financial advisory services with wisdom, skill, and integrity.

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Since 1987, Dr. Gerald R. Chester has been providing business and financial advisory services to clients. After receiving his Ph.D. in physics, Gerald moved quickly from the research lab into management. From 1978 to 1985, he managed his family's business, which prospered while growing at an average annual rate of 20%. As a business and financial advisor, Gerald utilizes his rigorous technical education and hands-on management experience to serve his many clients with seasoned balanced judgment. His clients recognize and value his expertise in both business and financial matters. Gerald's focus includes strategic planning, business analysis, business valuations, business plans, mergers and acquisitions, financial planning, investment strategies, investments, and personnel assessments. The Newsletter, *Gleanings*, is intended to provide a venue to share the insight and wisdom gained over the years working with dozens of organizations.

Gerald is a registered investment advisor.