

## Keep hunkering down — or shift forward?

### When should you start planning for the upturn?



There's no question the economy is deep in the downturn. For some businesses, it will get deeper still. But for others, this is the lull before another storm — the battle to own the upturn. No one knows exactly when it will hit, but as with any big storm, it's time to get ready. Or is it?

	Point	Counterpoint
<b>It's too early.</b>  <i>Planning now is a waste of time.</i>	The global economy is nowhere near the bottom. Sit tight and continue to clamp down on costs.	No one wants to be caught off guard by aggressive competitors. It's time to build contingency plans for growth. It doesn't matter if this is the bottom or not.
	There's still too much volatility. Planning for growth now will be a waste of time and money.	Savvy companies are already shifting forward, using volatility to their advantage. Scenario-based planning is key.
	Can't afford it right now.	Creating a strategic framework for moving forward as the economy improves is neither expensive nor difficult. There's more risk in not taking action.

	Point	Counterpoint
<b>Start planning for growth.</b>  <i>This is a chance to accelerate ahead of competitors.</i>	The upturn will create a whole new set of opportunities. Taking advantage of them will require some quick decisions. Go ahead and get the groundwork out of the way.	Any groundwork done now will have to be done again as the competitive environment changes.
	Break your planning model into bite-sized chunks. Focus first on elements that are likely to remain relatively stable.	That'll spread things out too far. Better to wait for the right time and then get it done quickly.
	Competitors are already looking ahead to expansion, acquisitions, and new business models.	They're wasting their time.

# My take



**Jessica Blume, Principal, Deloitte Consulting LLP, Associate National Managing Director, Clients & Industries**

If your company has done the right things, you could soon be sitting on a lot of cash. It might be in six months. It might be in two years. But for some, it's happening now. Companies that want to accelerate coming out of the downturn — whenever that happens — should keep these ideas front-and-center.

**Strategy first.** A year ago, before things began to unravel, you had a clear, written strategy. Right? Now is a good time to pick up that document and review it. Where do you stand today? Does the strategy still fit? Is there a course you can stay? In some sectors, the downturn has been a Category 5 hurricane. Competitors have vanished, supply chains have collapsed, and the global balance of what works where and why has been transformed. There's a ton of opportunity.

**Talent.** Strategic choices about talent should be woven into every part of your growth agenda. Highly talented people want to work for the best companies, so this is a time to shine. Especially if innovation and creativity are high on your talent wish list. Are there critical leadership positions you'd really like to fill right now? There's never been a better time to find great talent. You can bet competitors are looking at your top performers.

**The right footprint?** Are there regions you should be exploring, either as new markets or as operating locations? The economics around globalization have changed. Supply chain risks and distribution costs are starting to tilt the playing field. What are you missing when it comes to your global footprint? New product opportunities? Local market strategies? Regions where weakened competitors are creating new openings?

The downturn isn't over. Not even close. But experienced leaders know strategy can't be turned off and on like a light switch. It takes time to shift big organizations into effective action. Just like it takes planning to prepare for a storm — no matter how much we need the rain.

## A view from the life sciences sector

**Andrew Vaz, Principal, Deloitte Consulting LLP, U.S. National Director, Life Sciences**

On the strategy front, life sciences companies are assessing their financial exposure among collaboration partners, who in many cases have lost external funding. This process of rationalizing investments may force difficult choices of what to continue and what to abandon — leading to different strategies for different companies. Some seek innovative ways to accelerate drug development, while others are focused more on cost. Whatever your approach, the strategies must be clear, consistent, and well understood at all levels of the organization.

In terms of people, the war for talent will be fierce. Open collaboration between companies has made it difficult to create a value proposition that keeps top scientists loyal to one employer. As a result, larger companies are now creating talent strategies that are global in reach. Companies are capitalizing on labor arbitrage, and experimenting with innovative compensation and benefit models.

Finally, almost every major life sciences player over the past few years has been looking at emerging markets as a next horizon for revenue growth, with China and Eastern Europe leading the way. The downturn has found its way to these markets, too, where recovery will likely lag the US economy by a significant margin. The promise of near-term revenue may have to be kept at bay as developing economies recover and live up to their promise.

## A view from the technology, media & telecommunications sector

**Schaffer Hilton, Principal, Deloitte Consulting LLP, National Industry Leader, TMT**

Leaders in the technology sector are deep into planning for the economy to turn. They've been updating their strategies, and are already looking for opportunities to pick the bones of underfunded competitors. Now they're moving into action.

I'm aware of at least a half-dozen significant companies that are being pursued. One major deal closing could set off a string of activity by aggressive companies looking for bargains — and that's likely to happen sooner than later. Many companies with weak business models will have to restructure or merge with another company that has a brighter future.

This rapid consolidation has the potential to trigger industry-wide realignment as companies look to take advantage of available synergies while removing another competitor from the landscape. That will lead to individual companies restructuring themselves and their business models in response.

Top talent is already making the move toward more established companies. What are they looking for? A strong brand, a robust business model, and a solid book of business.

The technology executives I talk with are preparing for an upturn that is loaded with opportunity — and risk. They understand that the winners will be those who can make smart moves on the three-dimensional chess board in front of them. That's why they're well underway in planning for growth.

## A view from the CPG sector

**Nick Handrinos, Principal, Deloitte Consulting LLP, Leader, Consumer Products practice**

Depending on your market segment — consumer discretionary or consumer staple — the road ahead could look dramatically different. In either case, it's too early for tactical planning for the upturn. Many companies still haven't gotten their cost structures and product portfolios aligned to weather the continuing storm. My advice? Dig even deeper into your balance sheet and manage cash like never before.

Companies in staples will want to shift their focus to affordability — price points and pack sizes that allow consumers to continue to engage their products. They'll also want to manage the gap in pricing between their products and store brands.

At the same time, keep one eye on opportunities in new markets, especially those where consumers have a tradition of saving.

Bottom line? There's too much uncertainty to shift gears now. Continue to control what you can: costs and cash. If you manage these elements effectively, you'll be ready for the upturn — whenever it arrives.

For more information, please visit: [www.deloitte.com/us/debates/upturn](http://www.deloitte.com/us/debates/upturn).

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