

IBM Global Business Services



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# Succeeding in the new economic environment

Focus on value,  
opportunity, speed

Strategy and Change



## **IBM Institute for Business Value**

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive brief is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to [iibv@us.ibm.com](mailto:iibv@us.ibm.com) for more information.



# Succeeding in the new economic environment

## Focus on value, opportunity, speed

By Saul Berman, Steven Davidson, Sara Longworth and Amy Blitz

*The final months of 2008 unleashed sudden and sweeping economic change in the global economy. Amid debates over how long and broad this period of change will be, one thing is clear – a major transformation is underway and “business as usual” responses are not likely to succeed. Based on our experience, our previous studies, an analysis of early winners of this period, as well as longer-term winners from historical economic transformations, we advise CEOs and business leaders to focus more than ever on value, to exploit opportunities presented by the current situation and to act on both quickly.*

### **Navigating the economic transformation**

The growing uncertainty and its widening impact create an urgent need for action. This paper offers our perspective on what business leaders need to do to succeed in the new economic environment. To provide guidance, we have identified patterns in the chaos of economic transformations such as the current one.<sup>1</sup> On the gloomy side, many companies without the cash reserves or fundamental strength do not survive such periods, as we have seen with the dramatic collapse, bankruptcy or threat of bankruptcy facing

seemingly rock-solid companies in financial services, retail, real estate, automotive and other sectors, starting with Bear Stearns, then Lehman Brothers and cascading through the global economy. And this trend is global, with many manufacturing companies, for example, closing in Shenzhen, China, and US, European, Japanese and Korean auto manufacturers facing major losses.<sup>2</sup> Already, Ssangyong, the South Korean automaker majority owned by China's SAIC Motor Corporation, filed for bankruptcy in January 2009.<sup>3</sup> And many other troubled companies are surfacing as well in diverse sectors in Europe, Asia and North America.

On the positive side, history shows that even periods of tremendous dislocation produce winners.<sup>4</sup> Looking back to the panic of the 1870s – a period similar to the present with a mortgage bubble leading to a financial collapse and an extreme tightening of credit – those with cash, like Rockefeller, Gould and Carnegie in the United States, seized opportunities to establish dominance in oil, steel, railroads and other then emerging industries.<sup>5</sup> And while some financial institutions collapsed, a new generation of innovative banks like Deutsche Bank was established on the back of the new industries.<sup>6</sup> Likewise, during the 1930s, those who succeeded focused on

the emerging industries of that era, notably movies, radio, automotive and electricity. Today, many of the early winners are focused on value-oriented customers, entertainment and opportunities in such industries as life sciences, telecommunications and the environment, as well as “flight” sectors like gold.<sup>7</sup>

What separates the winners from the rest of the pack in times like these? What strategies and characteristics can be emulated and applied today across diverse industries, regions and competitive positions?

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**Businesses that are performing well – even in these economic straits – are employing three common strategies: focusing on value, exploiting opportunity and acting quickly.**

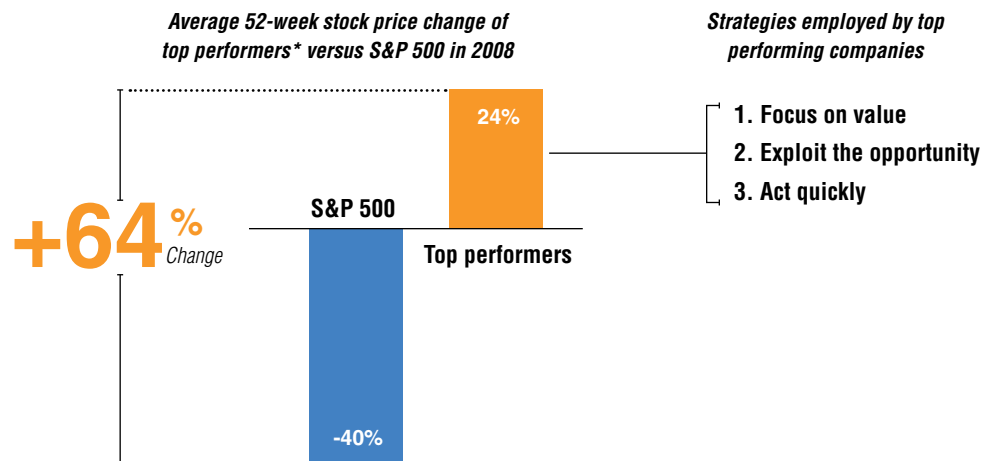
## Lessons from early winners

To help answer these questions, we identified early winners in the current period, beginning with large US-listed companies whose stock appreciated by at least 5 percent in 2008, at a time when the S&P declined by 37 percent.<sup>8</sup> In all, 61 companies emerged as early winners. Demonstrating the power of strategy over industry trends, these companies span diverse sectors, with 31 percent in services, 22 percent in financial services, 12 percent in health care and 12 percent in basic materials, followed by energy, capital goods, utilities and transportation. Moreover, those who won in 2008, won big, with their stock appreciating by an average of 24 percent, well above our 5 percent hurdle.

We then studied each of these companies and the strategies that led to their success. From this, we identified patterns in their strategies that allowed these companies not just to survive the economic transformation but to thrive in it. We then looked beyond this group of standouts to companies that performed well in Europe and Asia in 2008 and found similar patterns applied. In brief, early winners focus on value, exploit opportunity and act quickly (see Figure 1).

While some of the early winners were simply in the right place at the right time (notably a few gold companies), most demonstrate the power of having a strategic vision that can thrive in even the toughest of times.

FIGURE 1.  
**Firms that outperformed the S&P 500 in 2008 share three common strategies.**



\* Performance period spanned December 21, 2007 to December 18, 2008. Criteria for top performers (n=61) included those with market capitalization greater than US\$1.4 billion and a 52-week stock price appreciation of more than 5 percent.  
Source: IBM analysis of data from Google Finance.

Overall, the early winners:

**Focus on value** via sustainable strategies that emphasize long-term value. For example, Dutch Rabobank Group, along with several other commercial banks in our 2008 data sample, performed well by avoiding high-profit, high-risk offerings such as sub-prime mortgages, and instead held to low-risk lending principles.<sup>9</sup> Companies targeting value-oriented customers also did well. While several including McDonald's provide offerings at very low prices, others including Netflix and Strayer Education (an online service) are using technology in innovative ways to slash prices by introducing revolutionary new business models.<sup>10</sup>

**Exploit opportunities** presented during downturns, including growing through low-cost acquisitions and stock buy-backs. Another key area of opportunity is growth through innovation, transforming existing industries or introducing new offerings in emerging industries. Early winners in this area spanned life sciences/biotech, electronics, environmental quality and telecommunications. For example, Japan's Nippon Telegraph and Telephone continued to introduce groundbreaking inno-

vations in its broadband services and mobile communications offerings in 2008, including the world launch of its Next Generation Network, which aims to provide ubiquitous services on full IP-network infrastructures.<sup>11</sup>

**Act quickly**, with the agility to respond ahead of, or at least to keep pace with, rapid changes in the new economic environment. Barclays, for example, acted swiftly – leaping regulatory and other hurdles – to acquire Lehman Brothers assets by September 23, 2008, just days after Lehman's September 14 collapse. Within hours of the acquisition, the screens wrapped around 745 Seventh Avenue in Manhattan switched from the Lehman name to Barclays' blue logo.<sup>12</sup> Equally decisive was Tesco's move in 2008 to introduce a new Discount Brand line to avoid losing customers to lower-cost competitors.<sup>13</sup>

## Succeeding in the new economic environment

Based on our analysis, our experience, as well as several of our previous studies on related topics, we define key elements of the three strategies successful companies deploy well in times of uncertainty (see Figure 2).

FIGURE 2.

**To thrive, not just survive, companies need to take action on three fronts.**



Source: IBM Institute for Business Value.

How and where companies cut costs has a long-term effect – far beyond the current downturn.

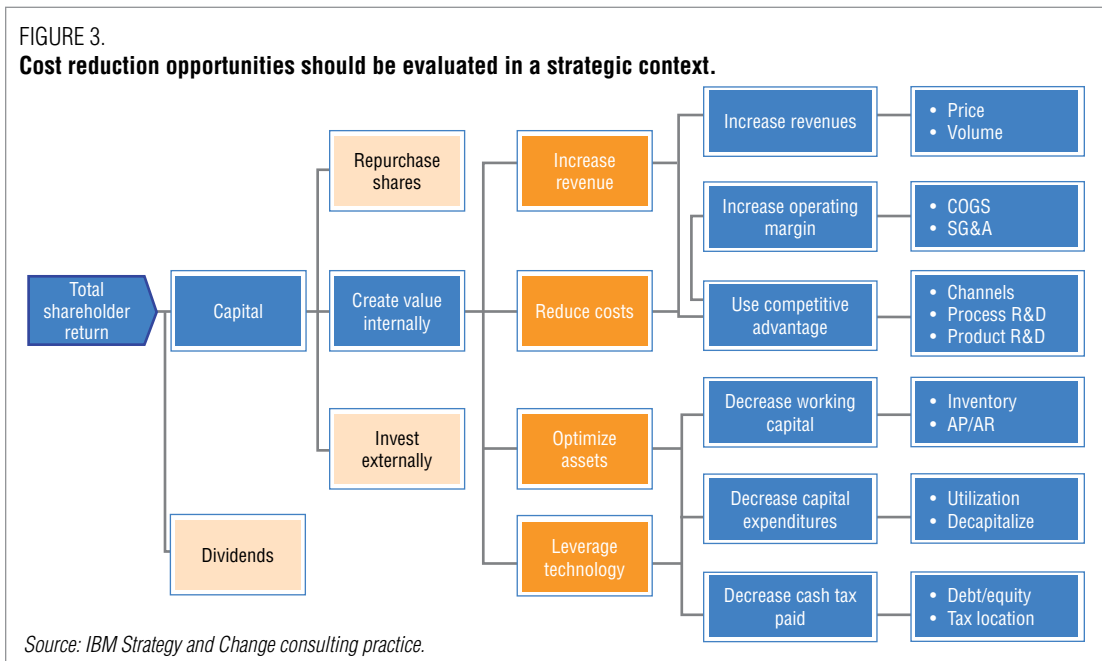
## 1. Focus on value

### 1.1 Do more with less

**Cut costs strategically.** Traditional approaches often involve spreading the pain of cost reductions evenly across business units and geographies. This may appear fair and might minimize disputes within the management team, but it avoids the difficult and important decisions that will drive future success. Significant cost reductions are better accomplished through more strategic decisions to exit whole activities, businesses or markets. Both revenue and cost need to be considered. Leaders need to preserve key investments that will drive future growth. For example, many global companies are driving higher cost reduction targets in mature markets to invest more heavily in emerging markets. Others are considering significant business model innovations involving, for example, more partnering or outsourcing to provide up-front savings and greater flexibility.

For companies with a global presence, now is the time to drive robust optimization efforts to bring down costs by locating activities in the right place using the right level of resources and slashing duplication. Figure 3 illustrates how companies can take a more strategic approach to cutting costs, driving revenue and improving profits.

**Conserve working capital.** Clearly, given current restrictions on credit, companies need to focus on reducing working capital in their businesses if they have not done so already. Proactively managing working capital involves driving down inventories, accounts receivable and accounts payable. Inventory analysis needs to examine each item's profitability, its value to the company, as well as the associated variability, velocity and volume to enable significant inventory reductions. Addressing accounts receivables can improve cash management by, for example, adjusting processes to focus on accounts that chronically pay late versus those that pay on time.



**Protect cash reserves.** In a credit crisis, cash is central to survival and strategic flexibility. It serves as a buffer against lean times and enables the strategic acquisition of undervalued, perhaps even bargain-basement priced, assets. Of course companies that do not have strong cash reserves today cannot reinvent history to create them; but a value-based reassessment of the portfolio may reveal opportunities to generate a greater return through divestment or liquidation, especially when weighed against investment opportunities to improve or expand core businesses. Leaders should also explore alliances or partnerships that provide access to cash or cost-effective capabilities, particularly if their preferred strategies require significant investment.

**Increase flexibility and responsiveness.** Companies must understand how vulnerable they are to declines in demand and revenues, and develop the flexibility in their capacity and cost base in order to cope. They need to engage in active scenario modeling to evaluate how far production cost breakeven points must be lowered and capacity reduced (or used differently) to prevent losses. In doing this, companies must also plan for the upturn by avoiding cutting too deep, so that they can ramp up quickly once conditions improve. This requires a strong understanding of industry trends, competitor performance and behavior, as well as underlying economic conditions. Companies must also develop more sophisticated sense-and-respond capabilities. In the automotive industry, for example, Ford Motor Company has sidestepped many of the challenges others in its industry face by cutting factory capacity to match decreased demand, announcing in 2005 the closing of 17 factories and the elimination of 50,000 jobs, many through buyout and early retirement.<sup>14</sup>

## 1.2 Focus on the core

**Create value for clients and preserve differentiation.** It is critical to cut spending on low-value activities, and redeploy it to investments that generate growth, margins and true differentiation. Being able to accurately identify where value is generated at all levels of the organization – from divisions to specific products or offerings to particular customers – is an essential first step. But for those without strong financial systems or good management information this could be a complex task. However difficult, the benefits are clear. Here again, Ford has cut costs and raised capital through borrowing and divestitures, including Jaguar, Land Rover and Aston Martin.<sup>15</sup> Similarly, UK grocer Waitrose has performed well in terms of customer growth by leveraging its strong reputation for high-quality food while controlling the average cost of a shopping basket by offering deeper discounts on commodity products.<sup>16</sup>

**Strip out non-value-add activities and reduce non-core costs.** Companies need to understand which activities contribute strategic value. As part of this, companies must rethink initiatives, have more-regular capital review cycles and examine initiatives as an entire portfolio not only to “trim the fat” on a project-by-project basis, but also to cut entire projects or groups of projects, allowing no “sacred cows.” This approach requires a commitment to eliminate weak businesses and divest where needed, moving non-core activities to shared services or to outsourced solutions. For example, many companies are reprioritizing large-scale technology investments. They are also reducing the cost of managing today’s systems to free up investment for more strategic IT projects.



**Investment choices should center on activities that differentiate and drive revenue growth.**

**Shift from fixed to variable costs.** Shifting from fixed to variable costs requires a clear identification of and focus on core activities. The need for more flexible costs and capacity is leading some companies to look afresh at their business and operating models and consider outsourcing some functions that they previously chose to keep in-house. For example, a significant number of multinational companies are considering increased outsourcing of their IT development centers in India and China. More holistic sourcing strategies, from workforce management and contract labor to strategic partnering, are also key here.

### **1.3 Understand your customers**

**Target value-oriented customers.** Another strategy likely to succeed in this environment is to rebalance offerings to serve new, more value-oriented customers. Eight of the 61 early winners have business models that center on offering very low-cost goods and services in diverse sectors spanning retail, entertainment, education and fast food. And this can be a long-term strategy for success in good times as well as in bad, as companies like McDonald's have demonstrated.

**Reduce complexity.** As they focus on their core activities, companies should take the opportunity to reduce or eliminate the complexities that may have crept into their businesses during the good years, including customization or extensive variations to a product or service that the customer may not value or understand. In telecommunications and banking, for example, the pace of product

and pricing innovation can outstrip an organization's ability to manage the operational complexity it creates. With margins threatened by falling revenues, operational complexity that does not create customer value cannot be tolerated. Companies should examine the case for simplifying product portfolios, pricing structures and the number of promotions, and cease offering customizations that customers will not pay for – even if making these changes requires investment.

#### **Are you ready?**

Have you taken urgent steps to protect revenue, conserve cash and reduce costs while developing and implementing a more strategic approach to such issues?

Do you know which businesses, markets, products and customers contribute the most value, growth and profit to your business? Which are not aligned closely to your business strategy and should be cut?

Have you reviewed and prioritized your initiatives so that you can not only survive but also seize the opportunities presented by the new economic environment?

Are you making your costs more flexible? Are you considering new workforce management strategies or innovative business models to achieve this?

Have you reassessed your partnering strategy and relationships? Are you clear about which partners are strategic and which are commodity-based?

## **2. Exploit opportunities**

### **2.1 Capture share**

**Disrupt weaker competitors.** For those with a clear vision for their companies and industries – and the financial resources to act – the current downturn will clearly create opportunities to set the change agenda rather than respond to someone else's, to gain share and to build key capabilities. Bold moves, disruptive strategies and positioning to win in a globally integrated economy are all part of the path to success. Reaching out to and understanding the needs of customers, both current ones and those who may consider shifting from competitors in such unusual times, will be an important element of the strategy. Business partners should also reassure customers that they are allies in this era, seeking to help reduce the impact of the current market uncertainty. A friend in need is a friend for the long term. And before considering strategies such as developing lower-cost products with fewer features, it is important to understand fully what the customer truly wants.

**Focus efforts on growth markets.** For companies seeking growth, markets in Asia, Central and Eastern Europe, the Middle East and Latin America are currently proving fertile ground, offering stronger opportunities for expansion than mature markets in Western Europe or North America. Vodafone, for example, has performed very well in recent years by selling assets in saturated markets such as Japan and Belgium and investing in growth markets such as Romania, India and Turkey.<sup>17</sup> Similarly, Tesco has maintained strong growth at the group level by following an international portfolio approach to investment, which has generated strong gains in Hungary and Malaysia.<sup>18</sup> Facing slowing growth in mature markets, many business leaders are redirecting investment toward emerging

markets, raising growth targets as they do so, even in these uncertain times. Many business leaders are also reviewing how they segment and organize to engage their customers, with the growth/mature market distinction becoming more important.

**Acquire bargain-priced assets.** Companies with significant cash reserves have the opportunity to buy attractively priced assets that support their overall strategies. Several of our early winners are focused on acquisitions or stock buy-backs, taking advantage of current bargains. Overall, we are seeing substantial merger and acquisition (M&A) activity throughout the global economy, particularly in financial services, such as the acquisition of Lehman Brothers segments by Nomura and Barclays in late September 2008.<sup>19</sup> We also expect to see M&A activity in pharmaceuticals as well as in other sectors. For both acquirers and targets, it is important to act quickly: for example, UK frozen food retailer Iceland profited from its acquisition of 51 Woolworths stores in January 2009 after its previous higher bid in 2008 was rejected.<sup>20</sup>

### **2.2 Build future capabilities**

**Protect and acquire critical talent.** Despite extreme market pressures, leaders must balance tactical concerns of today with a clear focus on the longer term. To build future capabilities, it is important to stay focused on human capital issues, such as keeping and motivating top performers, recruiting new talent at potentially lower cost and leveraging a global workforce. Top performers are the people who have the flexibility to move somewhere else if they are not convinced a company has the right strategy and execution capabilities to survive and succeed. It is important to engage these top performers, communicate the strategy effectively and give them a role and stake in the company's future success.

**Amid economic chaos, once-in-a-lifetime opportunities often emerge.**

***Establish the corporate infrastructure to seize future growth opportunities.*** When markets turn, the best returns often go to those companies that respond quickly. Recent years have shown how long it takes to build the structures, capabilities, processes and systems to seize growth market opportunities. Now is the time to invest for the mid-term. Many Chinese companies, for example, are currently establishing the governance, organization structures, human capital, processes and systems to enable them to run on a truly global basis. Likewise, many banks, a sector clearly under fire, are investing in new assets and upgrading core banking systems in order to increase operational effectiveness and improve transparency for the long term. A focus on forward-looking IT investments (funded by reductions in maintenance costs for today's systems) will be essential for enabling business agility.

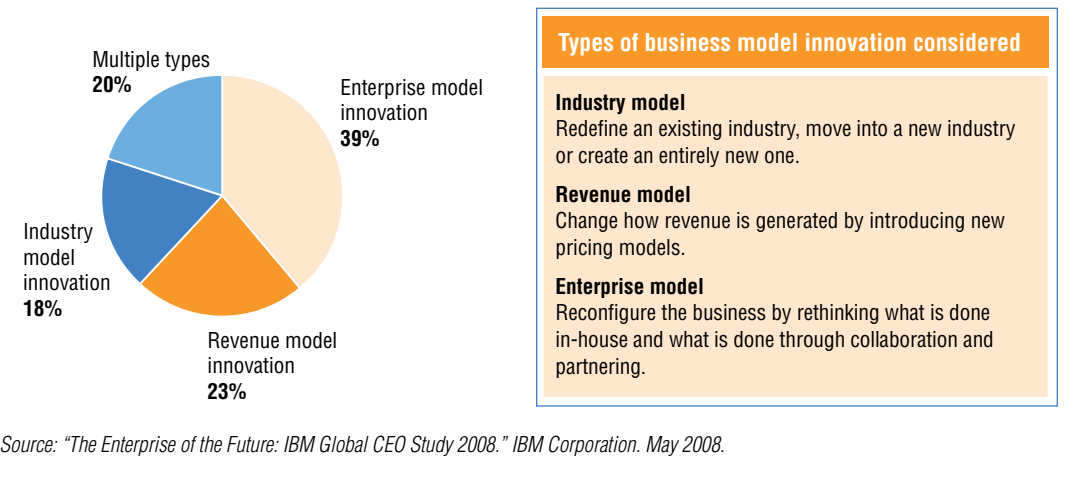
***Invest in innovation.*** Several of the outperforming companies in 2008 are focused on innovation, primarily in life sciences, telecommunications, electronics and environmental quality. By carving out a niche in a downturn, companies can establish long-term dominance beyond the current turmoil, a strategy IBM, for example, used effectively in the 1930s. By investing in R&D during the depths of the Great Depression, IBM was well-positioned when the recovery began and customers needed complex data management systems.<sup>21</sup> Today's early winners – from Netflix and Nippon Telegraph and Telephone to others in life sciences/biotech and environmental quality – are already demonstrating the power of innovation in a downturn.

## **2.3 Change your industry**

***Understand the impact of the current transformation on your industry,*** and profit from it with innovative new business models. Business leaders must assess whether their industries are apt to consolidate, grow, shrink or even die. They must also understand how competitors, suppliers, consumers and others are responding to the economic changes, and whether barriers to entry are increasing or decreasing. From this analysis, business leaders should gain insight into where opportunities for new business models are. Two-thirds of the CEOs who participated in our Global CEO Study are implementing significant business model innovations; Figure 4 outlines the specific types of business model innovation they are pursuing.

***Pioneer new industry approaches and standards.*** Goldman Sachs, Morgan Stanley and other venerable investment banks have become bank holding companies.<sup>22</sup> This subjects the companies to far more government regulation, but provides access to government guarantees. In another example, Rolls-Royce plc has designed an innovative new aircraft engine that uses fuel more efficiently and, more importantly, can be scaled up or down, allowing the company to compete across a far wider range of aircraft than its competitors. In fact, Rolls-Royce is the only one of the three main engine-makers with designs to fit the three newest airliners under development, the Boeing 787 Dreamliner, the Airbus A380 and the new wide-bodied version of the Airbus A350.<sup>23</sup>

FIGURE 4.  
**CEOs are focused most on reconfiguring their businesses to specialize and collaborate.**



**Identify and exploit new revenue models.**

New pricing models are emerging, particularly in digitized supply chains. In electronics, for example, the ongoing transition to a digital supply chain has substantially reduced inventories and thus the potential downward pressure on prices caused by over-supply. Indeed, the strength of supply chain management in this sector is expected to make the impact of the downturn shorter here than it might have been otherwise. Other examples of digitized supply chains include Netflix for film and Apple iTunes for music, as well as Strayer for education.

**Cultivate strategic partnerships.** Partnering is a quick route to business model innovation. In the current environment, it's particularly important to differentiate between strategic partners and those offering more easily replaced commodity goods and services.

With strategic partnerships, companies need a more collaborative approach aligned with the overall strategy and focused on the longer term. In the case of commodity-based relationships, now may well be the time to drive down cost and look for alternatives. For those relationships that continue, a shared sense of engagement and interdependence, a tightening of collaboration, can help companies manage demand volatility and risk, and enable innovative new business models. For example, Indian telecommunications leader Bharti Airtel has been able to grow quickly using a radical partnering strategy and business model.<sup>24</sup> Similarly, Lenovo was able to establish its full global presence much more quickly through its purchase of the IBM PC business than through organic growth.<sup>25</sup> In another creative partnering strategy, companies like Nintendo are using Web 2.0 approaches to engage customers in new product development and customer service.<sup>26</sup>

**Discontinuity will likely bring about industry-changing business models.**

### Are you ready?

What is your company's competitive context (supply, demand, barriers to entry), and where do you fit?

What new business models are likely to emerge in your industry, and are you working to get there ahead of your competitors?

Are you watching other industries for concepts and business models that could transform your market?

Do you have the right team – especially your top talent? And do they believe in your strategy to survive and succeed?

What capabilities do you need to develop to be ready for the upturn, and do you have a robust plan in place to develop them?

If you had the cash, which companies and assets could you buy to change the game? Or could you be someone else's acquisition target?

### **3. Act quickly**

Finally, the new environment will favor the fast and agile. Indeed, the urgency of the current situation can actually provide a unique opportunity to overcome organizational inertia and barriers to strategic transformation. Transformation has never been easy, but in this environment it may be more possible than is usually the case.

#### **3.1 Manage change**

**Overcome the “change gap.”** We learned in the IBM Global CEO Study that eight out of ten CEOs anticipated substantial or very substantial change over the next three years, yet they rated their ability to manage change lower, creating a change gap of 22 percent.<sup>27</sup>

Outperformers expected even more change but were significantly more adept at managing change than their peers. In a separate study entitled “Making Change Work,” we found that companies that are good at change management are really good at it.<sup>28</sup> On average, project practitioners rated only 41 percent of projects as successful. In contrast, the top 20 percent reported an 80 percent project success rate, nearly double the average, and they did this by following a systematic approach. They focused on:

- *Real insights for real actions* – Striving for a full, realistic awareness, understanding the upcoming challenges and complexities, and taking actions to address them
- *Solid methods for solid benefits* – Using a systematic approach to change that is focused on outcomes and closely aligned with formal project management methods
- *Better skills for better change* – Demonstrating top management sponsorship, assigning dedicated change managers and empowering employees to enact change
- *Right investment for the right impact* – Allocating the right amount for change management by understanding which types of investments can offer the best returns, in terms of greater project success.

#### **3.2 Empower leaders**

##### **Establish strong and aligned leadership.**

In this environment, speed is of the essence, and strategy must be set from the top. Leadership teams must make decisive “no regrets” decisions and live with the consequences, correcting course as necessary. This is especially relevant for those cultures that are very consensus-oriented, and find quick and decisive action difficult.

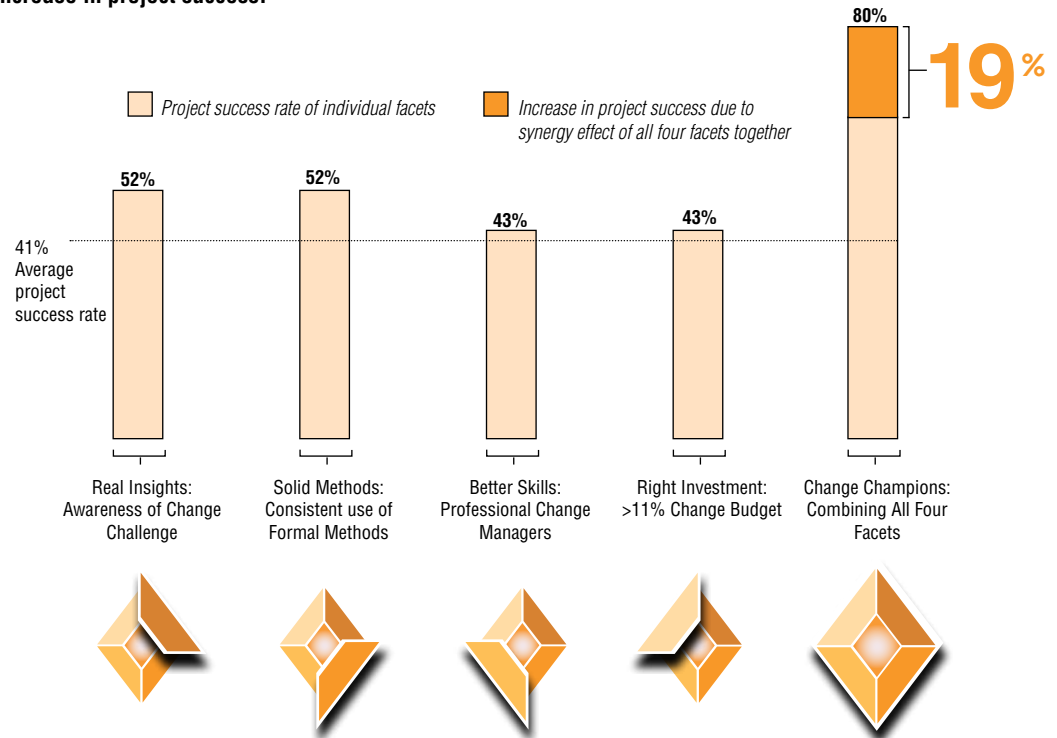
**Communicate your strategy clearly and often.** The challenge in the current uncertainty is to set an achievable strategy and manage change quickly and effectively. Doing this well requires the repeated communication of simple goals, together with clear targets and strong follow-through (including the measurement of results). It also requires the dedication and empowerment of high-ranking executives to act as change leaders, able to seek and leverage experience throughout their organizations, and empower the layers beneath. It is essential that these leaders align around an agreed vision for the future and a course of action to achieve it.

### 3.3 Manage risk

**Reduce risk and increase transparency.**

The issues of risk and transparency have come to the fore in the current period. To address these issues, organizations must apply analytics to improve decision making and create greater predictive capability. They must also establish risk management governance and processes. And they must integrate and rationalize business information into the overall risk management process. The recent unprecedented losses in the financial services sector, as well as exposure to unseen threats of criminal activity like the Madoff scheme, highlight compelling examples of the dangers

FIGURE 5.  
**Those who focused on all four facets of what we call the Change Diamond experienced an outstanding increase in project success.**



Source: "Making Change Work." IBM Corporation. October 2008.

**Especially now, the ability to take requisite actions depends on having superior change management capabilities, strong leadership and robust risk management.**

of poor risk management and lack of transparency.<sup>29</sup> Our Global CFO Study confirmed that risk management is increasingly a boardroom issue, with each member of the executive team having a role and responsibility.<sup>30</sup>

#### **Are you ready?**

Does your organization have a consistent, tried and accepted method for change management that is applied to every project?

Does your organization invest in building change management skills that can be leveraged across projects?

Are there processes and technologies in place that allow people to become involved in the change, to access accurate information and to provide feedback?

Do your leaders share a common view of the future of the industries in which you operate? Of your own and your competitors' strengths and weaknesses? Do your leaders agree on where your organization needs to go?

Do you understand the risks you currently harbor? Do you know how vulnerable you are to changes in your current operating environment?

How transparent is your current management information? Are you confident you are tracking the variables that give you an accurate picture of the health of your company and the risks facing it?

## **From surviving to thriving**

To be sure, some companies will not survive these uncertain times. For the strong, however, the current period may actually present rare, possibly once-in-a-lifetime opportunities. In order to seize them, companies must first establish financial stability in the short term. But the winners will also invest for the medium and even long terms. As preconditions for success with this, companies will need to achieve:

- A robust understanding of how the transformation will impact their industries as well as allied industries
- A keen appreciation of their own core competencies and how these can be leveraged to take advantage of emerging opportunities and profitable innovation
- Committed and aligned leadership with a clear strategy for creating sustainable competitive advantage so that their enterprise can move as swiftly as current circumstances demand.

While the final months of 2008 launched a period of tremendous change and uncertainty, the good news is: even, perhaps especially, in times like these, winners do emerge. And despite the noise, chaos and confusion, there are patterns in the strategies winning companies use to navigate such times. Based on our experience, previous studies, and an analysis of early winners of this period and longer-term winners from historical economic transformations, we advise business leaders to focus more sharply than ever on value, exploit opportunities presented by the current situation and act quickly in order to capitalize on these opportunities.

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## Contributors

This paper would not have been possible without the substantial contributions of the IBM Strategy and Change team, notably Richard Christner, Dan Barter and Ragna Bell who helped steer the content development; Dave Lubowe and Eric Riddleberger who provided leadership and guidance throughout; Jim Byron for input on cost reduction strategies; and Anubha Jain and Madhulika Kamjula for data analysis and overall research support.



## About IBM Global Business Services

With business experts in more than 170 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. We draw on the full breadth of IBM capabilities, standing behind our advice to help clients innovate and implement solutions designed to deliver business outcomes with far-reaching impact and sustainable results.

### **IBM Global Business Services Strategy and Change**

IBM Global Business Services offers one of the largest Strategy and Change practices in the world, with over 3,000 strategy professionals. Our Strategy and Change practice fuses business strategy with technology insight to help organizations develop, align and implement their business vision across four strategic dimensions – business strategy, operating strategy, organization change strategy and technology strategy – to drive innovation and growth.

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- <sup>5</sup> See Nelson, Scott Reynolds, “The Real Great Depression,” *Chronicle Review, Chronicle of Higher Education*, October 17, 2008, Vol. 55, Issue 8 for an interesting contrast between the 1930s and the 1870s, centering on the different sources of a severe downturn and the implications for economic recovery.
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- <sup>7</sup> From IBM analysis of 2008 data of public companies listed on US exchanges.
- <sup>8</sup> We focused on: (1) public companies listed on AMEX, Nasdaq and the New York Stock Exchange that (2) had market capitalization greater than US\$1.4 billion and (3) saw their stock appreciate by 5 percent or more in 2008 at a time when the S&P 500 Index declined by 37 percent. Our focus admittedly emphasizes US companies; we did this as a starting point because the crisis began in the US and so the impact and response registered most quickly in the US, providing more data for analysis at this point. The S&P performance data was accessed from: <https://advisors.vanguard.com/VGApp/iip/site/advisor/investments/benchmarks/performanceSP?File=SPPerfReturns&bench=SP>
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- <sup>10</sup> Strayer Education offers low-cost online degree programs at the undergraduate and graduate levels, primarily for working adults seeking professional advancement. Netflix Inc.'s relatively inexpensive DVD rental service delivers the majority of its selections to customers through the US Postal Service, but also offers a subset of titles that can be instantly streamed through high-speed Internet connections at no additional charge.
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February 2009  
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