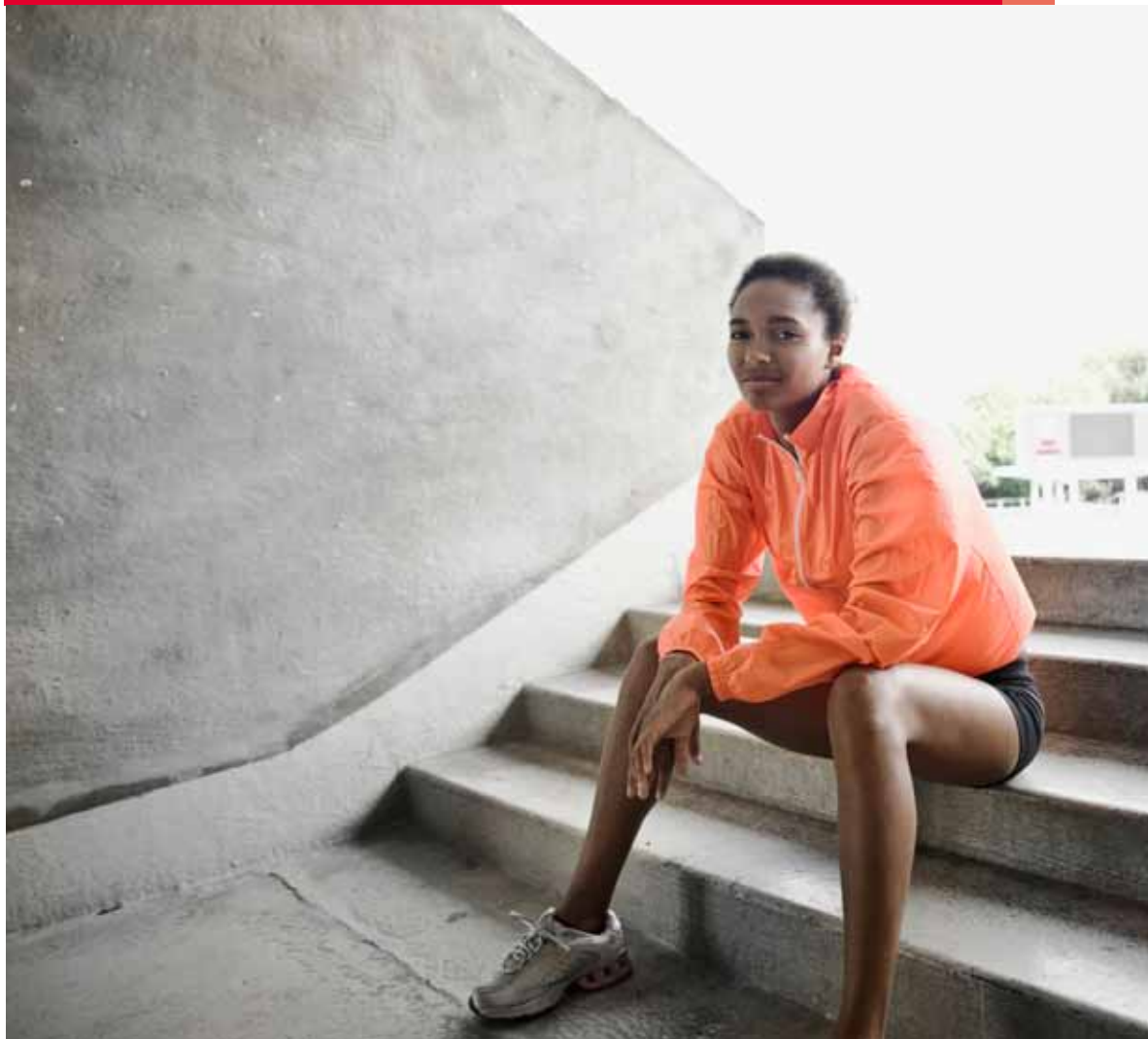


Playing the long game

Let's talk series

The decisions you make today will determine how you are positioned for the future.



Day in and day out, we're being bombarded by play-by-play news of the global economic meltdown and turbulence. Negativity rules the day. It's a staggering rollercoaster, with the bad-news headlines on skyrocketing oil prices suddenly replaced by the bad-news headlines on plunging oil prices; the onslaught of a high Canadian dollar to business being overtaken by the onslaught of a declining Canadian dollar. It seems as if every day a new record is broken—at least in the headlines: the worst Monday in 38 years; the worst sell-off in global markets since the '87 crash, the highest single-day rebound in 70 years. Markets rally desperately, markets fall into despair.

It's enough to hurl any business owner into a nerve-racking state of negativity with uncertainty clouding his or her long-term vision. The result? Short-term, knee-jerk decisions take over. And that really is very bad news because while downturns are times of heightened challenges and struggles, they are also a time of increased long-term opportunities—for those who are able to stick to their knitting and play the long game.

During the last downturn, for example, 20% of companies in the bottom quartile jumped to the top—and 70% of those held their position during the boom cycle that followed. “These are times when businesses have to make hard decisions,” says Eric Andrew, Global Network Middle Market Leader. “But in making these tough decisions, it's important to balance the short-term needs of survival through this temporary situation with the long-term needs of growth once the downturn has passed. The decisions you make now will determine how you are positioned when the cycle turns.”

To be able to make good decisions during a downturn, companies need to be strategically agile. It is this agility that puts a company in a position to take advantage of the downturn's opportunities—and be among the strong survivors when the upturn arrives.

Key steps to strategic agility

- **Focus on strengthening core competencies.** “This is not a time to venture into risky new ground—there are just too many unknowns. It's a time to consolidate your core competencies and focus on all the business fundamentals that have brought you success this far,” says Andrew.
- **Get solid control of your costs.** “You need a strong balance sheet. If you have good controls of your costs and understand them well, you then have the flexibility to address short-term threats and long-term opportunities,” says Andrew. For example, with a strong balance sheet, you can take swift action if a competitor tries to undercut you, or

conversely, you can increase your market share with more competitive pricing or even strengthen your core competencies by purchasing a rival at downturn prices.

- **Identify your best customers, focus on them and reinforce your relationships.** “If you have good customers, it reduces your vulnerabilities in a downturn,” says Andrew. “But throughout the tough times, you need to think about what is impacting your customers, look ahead and behind to see how they are faring.” Communication is key, and not just with your customers but also with employees and suppliers.
- **Preserve and build your brand.** A strong brand is one of the most powerful competitive advantages a company can have. Don’t compromise on your brand’s quality and reputation. “Make the brand you have as strong as you possibly can,” says Andrew. “Companies tend to cut back on advertising and branding in a downturn, so for companies with a strong balance sheet, there’s an opportunity to stand out even more—and often at a discount. You get far more value out of marketing in a downturn than in better economic times.”

- **Protect your best employees.**

When the going gets tough, some companies might panic and start letting go of even some of their best employees. Consider the long-term consequences of such a decision. The demographic issue leading to the skilled labour shortages we’ve seen in recent years is not going away. Companies that hold on to their best employees during that downturn—and snatch up those who are being let go by other companies in a downturn panic—will have the competitive edge in the war for skilled labour when better economic times arrive.

- **Don’t tolerate subpar results.**

“You’re in a time when your resources are scarce, you have only so much cash, so much you can invest in. If you’re not getting your desired performance, you have to deal with it now,” says Andrew.

Contacts

Eric Andrew

Global Network Middle Market Leader
604 806 7500
eric.s.andrew@ca.pwc.com

Tahir Ayub

Canadian Private Company Services Leader
604 806 7502
tahir.ayub@ca.pwc.com

www.pwc.com/ca/private