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Nally/US/EXEC/PwC**

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cc

bcc Jean Wyer/US/L&E/PwC

Subject Managing through this economic crisis 📧

Dear Faculty Member,

I'm writing to share with you how PwC is responding to the current economic crisis, how we are helping our clients through these distressing times, and my thoughts on how critical I believe it is to stay focused on people -- our most important asset -- during these very trying times.

As you're well aware, the economy continues to create turmoil and distress in the marketplace and in individual lives, and it's hard to predict with any measure of certainty when we will begin to see the light at the end of the tunnel. Even with the uncertainty, we must plan for the eventuality that it will continue to get worse before it gets better. At PwC, we're finding that many of our clients today are working through liquidity issues, even those that have fundamentally sound business models. Many companies are finding the need to consider implementing deep cuts in their cost structure, while at the same time looking for other ways to free up cash -- focusing on taxes, insurance, benefits, 401(k) plans and working capital. Many are attempting to restructure their balance sheet to reflect the significant deleveraging we are seeing in the global economy. In short, it's no longer business as usual for them -- or for us. Our PwC professionals are trying to help clients assess and prioritize their immediate needs, provide sound advice and solutions, or in some other cases, simply act as a sounding board as they encounter challenges many of them have never come up against before.

There is no doubt that this situation is unsettling for all -- whether we're thinking about it on a macro economic level or very personally. We're anticipating that the new year may bring an increase in Chapter 11 filings....and the ripple effect on local economies of those bankruptcies would be devastating. Many are watching their retirement savings shrink as their homes lose value. Consequently, their faith in large institutions is dwindling. We can imagine how fearful students, who have never experienced anything like this, are feeling as well. From their perspective, job prospects are waning just as this generation of students prepares to begin their careers. Some have experienced, or have friends who have experienced, their job offers being rescinded. The future that they planned out so carefully now seems so uncertain. All of this has taken a toll on their trust in organizations to deliver on their promises.

Students are watching as organizations respond to the economy in two ways. The first is to engage in what some would characterize as short-term, knee-jerk reactions to the current economic situation...laying off staff, putting a freeze on hiring, or not investing in training and development. The second, which is the path we have chosen at PricewaterhouseCoopers, entails taking a longer view. We recognize that continuing to invest in our number one asset is the best investment we could make in our future -- even when that future may feel somewhat uncertain.

At PwC, we took some proactive steps beginning as far back as two years ago, including a restructure of our internal firm services, in anticipation of a downturn. Today, while we are closely scrutinizing all of our spending, we are not willing to make short-term sacrifices that could damage our success in the long term....which is why we are not planning any unusual or significant reductions in our staffing levels. The way I see it, even if it takes 18 - 24 months, the economy eventually will bounce back, and when it does, we want to be sure we have the right level of talent to serve our clients at the highest levels of quality. Bottom line: we see people as a critical investment in our business that we're not willing to sacrifice for the short-term payoff. This is a message we have been delivering to our people over the past several months. In fact, I reinforced it today with a firmwide video message. Click [here](#) to view the video.

Clearly, this is not the most popular strategy, if you measure popularity in terms of what is going on in organizations across the country. But we think it's the course wise companies take....those that see

themselves providing value to their clients not just today, but many years into the future.

Today's economic environment is new for all of us, and I think sharing our ideas and questions on the economy -- including ideas for how businesses can get through it -- is important. Feel free to send me a note at the email address below. In addition, I encourage you to visit our faculty website at www.pwc.com/faculty, where you can download useful tools and the most recent thought leadership from PwC.

With best wishes for a happy holiday,



Dennis M. Nally
US Chairman and Senior Partner
PricewaterhouseCoopers

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