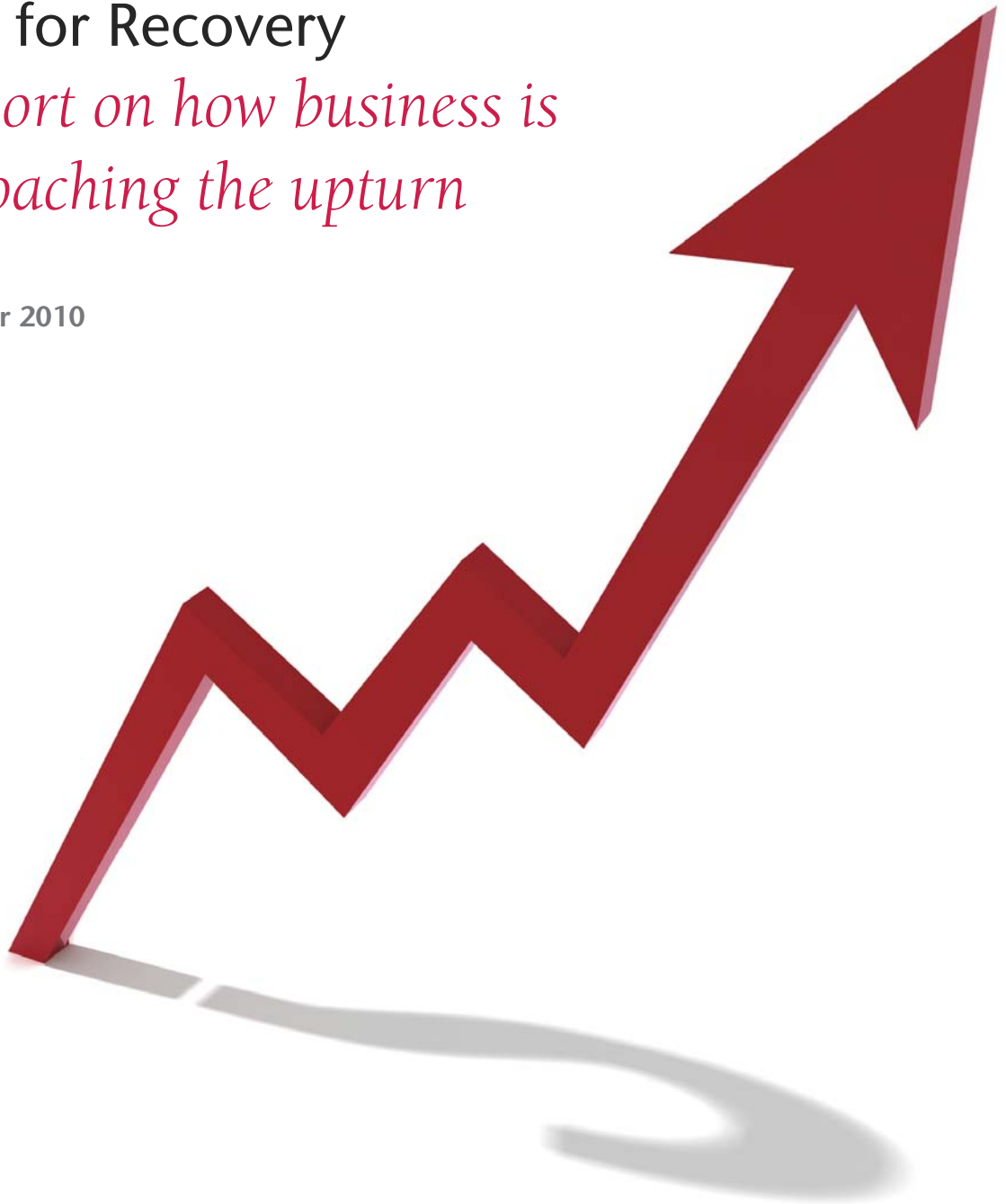


# Tools for Recovery

*A report on how business is approaching the upturn*

September 2010



# Foreword

Whilst economists have signalled the official ending of the recession, there is little doubt that challenging economic conditions persist. Despite this backdrop, many companies have survived and some have even thrived. The question is how?

Last year, we canvassed the views of senior decision makers in key financial centres across the globe to test business confidence and the outlook for the future. The findings were published last December in a report called 'Boom or Gloom?'<sup>1</sup>

Our new report – Tools for Recovery – seeks to identify the necessary steps that businesses across the globe have taken, and intend to take, to stay ahead and provide the platform for recovery and to capitalise on the opportunities that future economic growth will present.

We embarked on a study<sup>2</sup> of more than 1,000 senior executives across the world to assess their levels of confidence and the measures they were taking to stabilise and even grow their businesses.

The findings reveal a mixed picture in terms of confidence levels, with China leading the pack, while the USA is in a more pessimistic mood.

We hope the findings are both useful and thought provoking. However, this is just the starting point for discussion and we'd be interested to hear about your experiences and the measures that you've taken to stay ahead of the curve.



**Stephen Sorrell**

Partner

Direct: +44 845 497 4809

Main: +44 20 7497 9797

stephensorrell@eversheds.com

<sup>1</sup>See <https://www.eversheds.com/uk/home/publications/videos/boomgloom.page>

<sup>2</sup>Views were sought of senior executives across a range of business sectors via an online survey in early July 2010. Around 100 responses were received in each of the following countries: China, France, Germany, Ireland, Italy, Russia, Spain, the UAE/Middle East, the UK, and the USA.

# Contents

Executive summary	1
Confidence levels	2
Tools for Recovery	6
Appendix A: Key statistics by country	8
Appendix B: Key statistics by sector	10
Have your say	13

# Executive summary



This report seeks to identify the steps organisations have taken to protect their businesses from the challenging economic climate. It also explores their plans for the future, as well as assessing current confidence levels among senior executives compared to the beginning of the year.

**The findings reveal four key themes:**

## **Chinese confidence soars, while USA mood slumps**

One in four senior executives across the globe are less confident now than at the beginning of the year. However, the mood varies greatly from country to country. The boom in economic confidence in China continues, with 83% of senior executives more confident now than at the beginning of the year, compared to just 28% in the USA. Manufacturing is among the most confident of sectors, along with chemicals/ pharmaceuticals and transport and distribution.

## **Businesses have combined cost cutting with customer focus**

Across the globe, it is evident that businesses have put in place a combination of measures to combat the difficult economic climate. Most prominently, these included proactive business development activity. In fact, an increased focus on customer relationship management (CRM) was the most popular tool that was deployed across the globe, closely followed by seeking new market segments.

However, as well as positive proactive measures, there have been some difficult decisions to make during the last 18 months. This has been a period of tough decisions, with 46% of businesses cutting discretionary spending, 38% freezing or reducing pay and 34% making redundancies.

There were notable differences in the approach taken by different parts of the world to combat the difficult economic climate. Interestingly, positive and proactive measures, such as increased CRM and targeting new clients, were the most prevalent tactics in the majority of areas. Russia was the most proactive area in terms of taking positive steps to come out of the recession. In contrast, the UK, France and Ireland were most active in terms of cost cutting. Job losses have been most prolific in the UK, France, Spain and the UAE.

## **Businesses are on the acquisition trail**

Looking ahead, the focus shifts slightly and businesses look set to concentrate on corporate strategy much more than they have during the last 18 months. One in five senior executives (22%) said their business would be looking at potential acquisitions during the next year. The energy and natural resources sector is most focused on acquisitions in the year ahead, closely followed by food, drink and tobacco companies.

## **Positive people outlook**

There appears to be a renewed appetite to increase staff numbers – only 15% said they had increased staff during the last 18 months, but this rose to 29% when asked about plans for the year ahead. Chemicals/pharmaceuticals companies and those in the healthcare sector are most focused on recruitment. This correlates with an overall declining trend in redundancies, with just 19% planning redundancies in the year ahead – down from 34% in the last 18 months.

# Confidence levels

Senior executives were asked how confident they felt at the mid-point of 2010 compared to the beginning of 2010.

## The findings show that confidence has grown most in:

- ▲ China (77% more say they were more positive than less positive)
- ▲ Russia (50%)
- ▲ Germany (34%)
- ▲ Italy (20%).

## Confidence has dipped most significantly in:

- ▼ Spain (12% more say they were less positive than more positive)
- ▼ USA (8%).

## Looking at different market sectors, those in manufacturing are among the most confident, along with:

- ▲ transport and distribution
- ▲ chemicals/pharmaceuticals
- ▲ energy and natural resources
- ▲ food, drink and tobacco.

As part of the 'Boom or Gloom?' report, Eversheds surveyed senior managers in the UK, China, the Middle East and the USA. In the third quarter of 2009, they were asked if they felt more confident than at the beginning of the year. Comparing their responses in 2009 to our latest study shows some interesting findings:

**China** – confidence continues to accelerate rapidly in this area with the overwhelming majority of senior managers stating that they feel more confident now than at the beginning of the year.

**UK** – confidence levels appear to have waned, with just 34% of senior figures more confident than they were at the beginning of the year.

**Middle East** – confidence levels in this region have reduced significantly from the levels seen previously with just 32% of respondents more confident now than at the beginning of the year.

**USA** – confidence appears to have taken a severe knock in the States, with 37% of respondents stating that they are less confident now than at the beginning of the year.



*“The economy is very slow. Unemployment continues to be a significant problem. Worries of a double-dip persist.”*

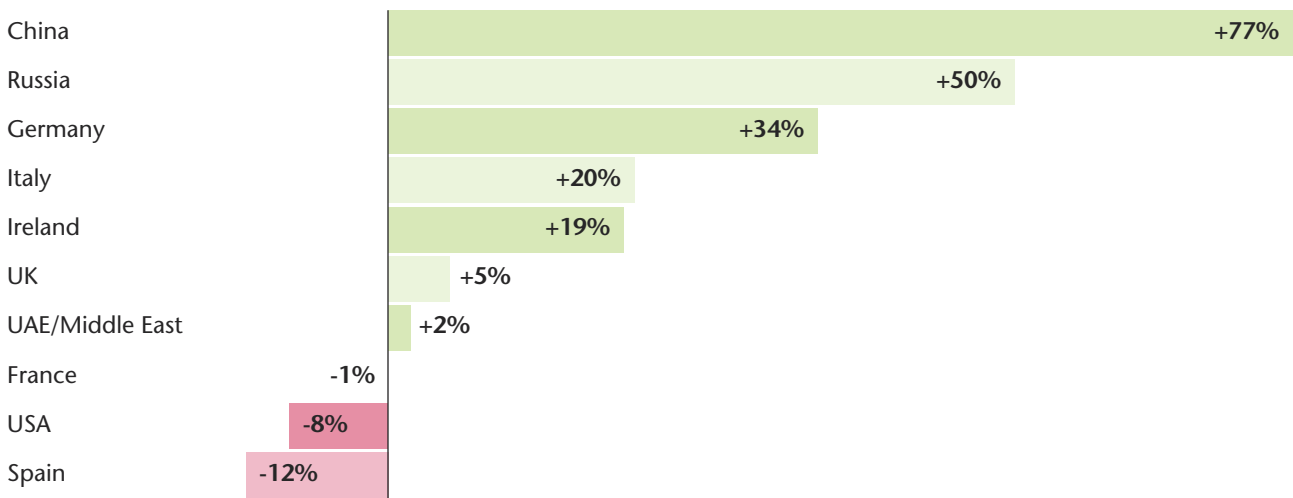
Financial Institution, USA

*“The outlook is very positive, there is a large potential market and a large potential group of customers.”*

Senior Executive, China

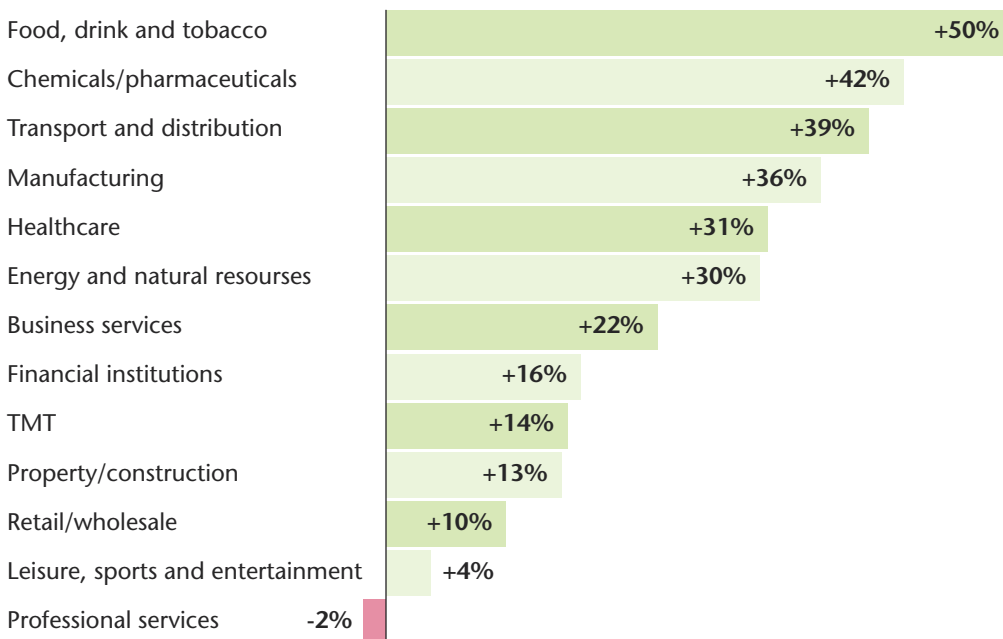
The charts below show the difference between positive and negative responses to the question “Do you feel more confident in terms of your organisation’s economic outlook now than you did at the beginning of 2010?”.

**Figure 1 – Confidence levels by country compared with the beginning of 2010**



Note: Other countries +58%

**Figure 2 – Confidence levels by sector compared with the beginning of 2010**

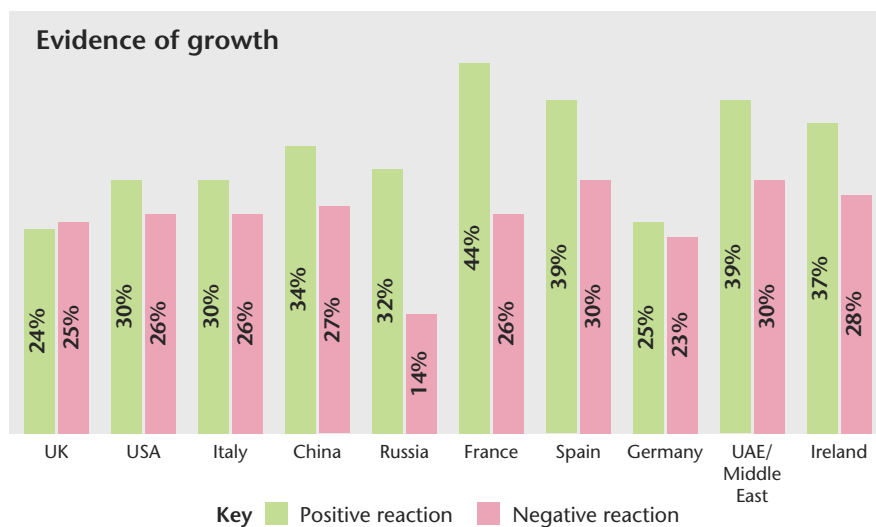


Note: Other sectors +15%

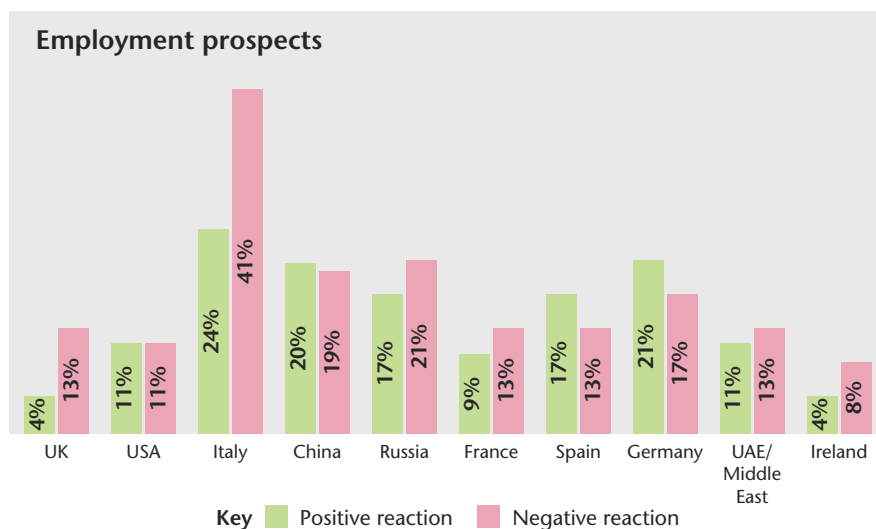
# The need for more than green shoots

Businesses are looking for more than positive economic data to feel confident. They are looking for concrete proof such as signs of growth or evidence that their business has picked up.

**Figure 3 – What are the main reasons that make you feel more/less confident?**



- Evidence of growth was the biggest factor affecting confidence levels among senior executives.
- 34% of respondents in China said they were more confident because of positive signs of growth.
- Conversely 30% of respondents in Spain and Germany said they were less confident because of the lack of evidence of growth.



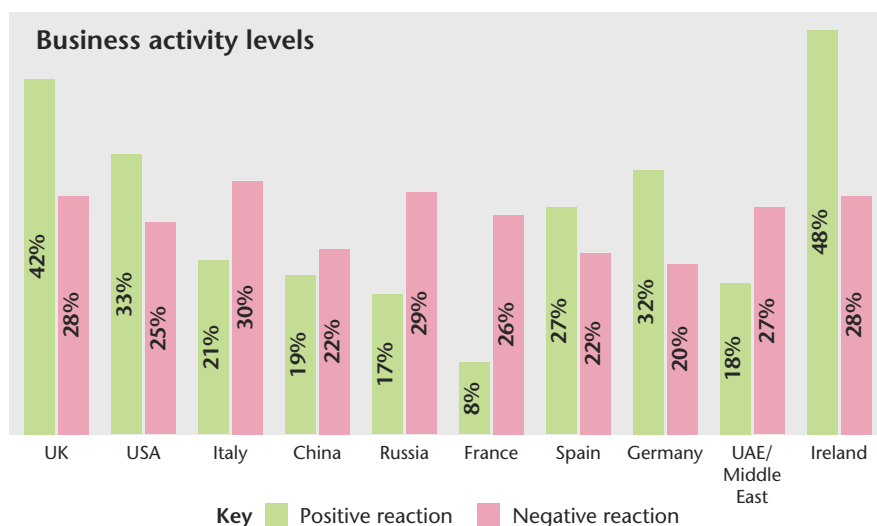
- Employment prospects had a surprisingly low impact on confidence levels.
- The exception was Italy, where 41% of those attributed their lower level of confidence to poor employment prospects.

*“The situation in the UAE is relatively stable, but access to capital has become a problem because the funders are worried and think a lot before making a decision.”*

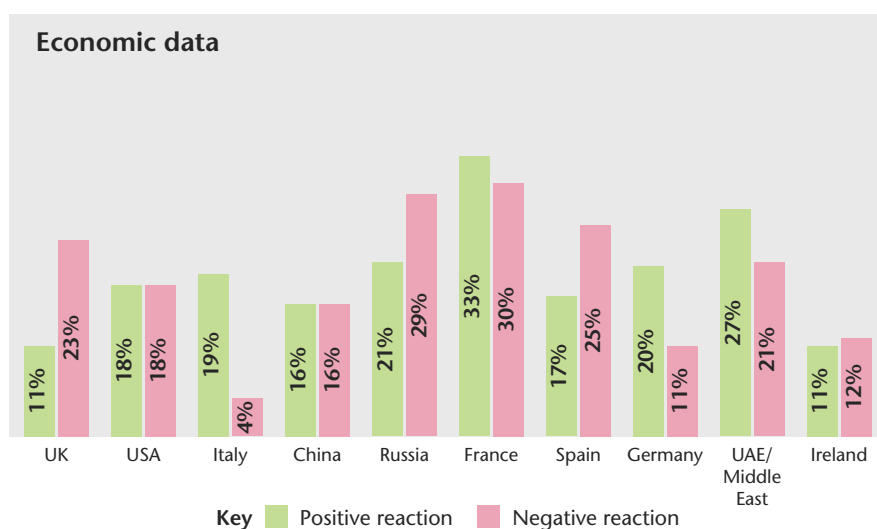
**Business Services, United Arab Emirates**

*“The UK recovery is slow and fragile and business confidence is shot to pieces. In some sectors the access to and cost of capital is regressive, this is clearly slowing recovery.”*

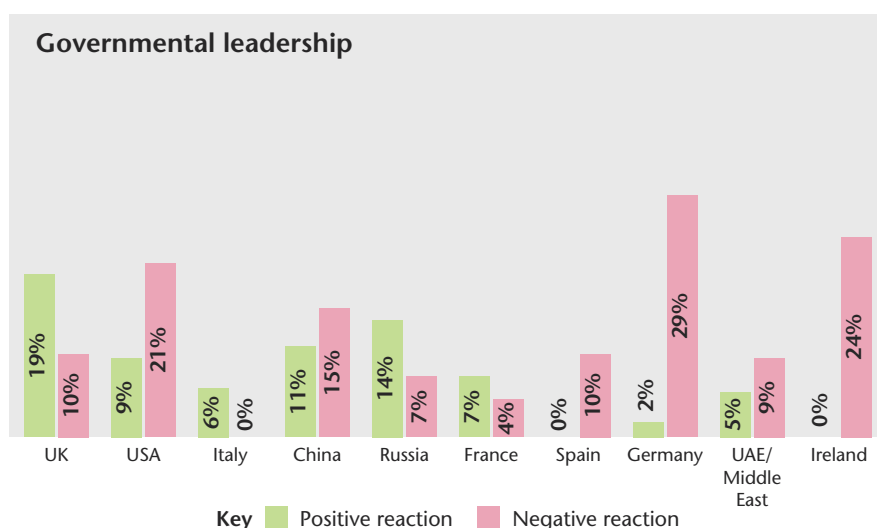
## UK manufacturer



- Business activity levels were a strong barometer of economic confidence.
- In each country, at least one fifth of respondents blamed low levels of activity as the reason for their pessimistic mood.
- Conversely, 42% of respondents in the UK and 48% in Ireland said that good levels of business activity made them more optimistic.



- Economic data (either positive or negative) did not have such an impact on confidence as other factors.
- However, a significant proportion of respondents in France (30%), Russia (29%) and the UK (23%) said disappointing data was behind their lack of confidence.



- Governmental leadership did not have a significant impact on confidence levels on the whole.
- However, one in five USA respondents (21%) and almost a third of German respondents (29%) identified weak governmental leadership as a key reason for their pessimism.
- In contrast, almost one in five UK respondents said they were more confident as a result of strong governmental leadership.

# Tools for Recovery

Senior executives were asked about the business tools they had utilised during the last 18 months and the measures they plan to take in the year ahead in the following areas:

- driving demand
- changing supply
- cost reduction
- investment
- changing corporate strategy
- international expansion.

Across the globe, driving demand has been a key area of focus and looks set to continue during the next 12 months, with businesses specifically focused on seeking new markets and increased CRM activity.

Cost cutting plans seem to be slowing down, although they have been heavily deployed in many areas during the last 12 months.

**Instead, there seems to be a stronger appetite to invest in a number of areas:**

- **increased marketing activity**
- **increasing staff numbers**
- **increased R&D.**

Most commonly deployed tools over the past 18 months		Tools most intended for use over the next 12 months	
Targeting new clients	64%	Increased customer relationship management (CRM) activity	39%
Seeking new market segments	48%	Increasing spend on technology	38%
Increased customer relationship management (CRM) activity	48%	Increased market spending	37%
Cutting discretionary spending	46%	Changing products or services	36%
Staff reorganisations	39%	Seeking new market segments	35%

From closer analysis of the results, some key trends emerged around each of the tools:

### Driving demand

- There has been a big focus in this area across all countries, with China, Spain and France leading the way in searching for new market segments.
- Increased CRM activity has been particularly prolific in the UAE, the UK and France.

### Cost reduction

- This has been another significant area of focus for businesses with nearly half (46%) making cuts to discretionary spending and a third (34%) making redundancies during the last 18 months.
- However, the current outlook is more positive, with less appetite to cut costs in the year ahead.

### Changing supply

- From changing the supply of products and services to outsourcing staff and reorganising teams, this has been an active area.
- 21% of senior business figures have outsourced staff or services in the last 18 months and this jumps to 30% in the year ahead.

### Investment

- The biggest areas of investment in the last 18 months has been in increasing marketing spend and increasing spend on technology. This looks set to continue with nearly 40% of respondents planning to spend in these areas in the next 12 months.
- There is a much greater appetite to invest in the next 12 months, with 29% of respondents looking to increase staff numbers (as opposed to just 15% who have deployed this over the past 18 months).

### Corporate strategy

- There is a much stronger desire for deal making in the year ahead, with one in five businesses (22%) on the acquisition trail in the year ahead – up from just 13% in the last 12 months.
- Russia, Italy, China and Spain were the most focused on acquisitions in the year ahead.

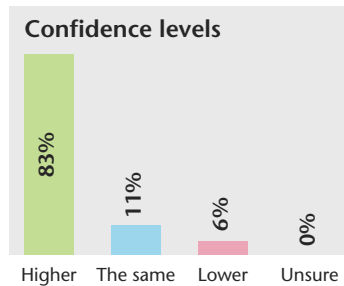
### International expansion

- China is leading the way in seeking out new international markets. 58% of respondents said they had explored international opportunities into an average of more than two countries in the last 18 months, while 76% plan to do so in the year ahead.
- Only 16% of companies in the USA said they had sought out international markets in the last 18 months, and just 18% plan to do so in the year ahead.



# Appendix A: Key statistics by country

## China



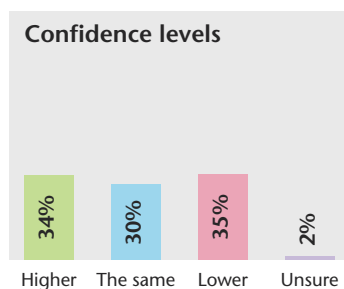
### Top business 'tools' implemented in last 18 months

Seeking new market segments	55%
Cutting discretionary spending	54%
Increased CRM activity	49%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	40%
Staff reorganisations	40%
Changing products or services	37%
Increasing R&D	37%

## France



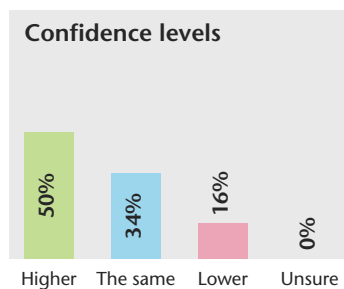
### Top business 'tools' implemented in last 18 months

Increased CRM activity	65%
Seeking new market segments	63%
Cutting discretionary spending	63%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	53%
Increasing spend on technology	51%
Changing products or services	48%

## Germany



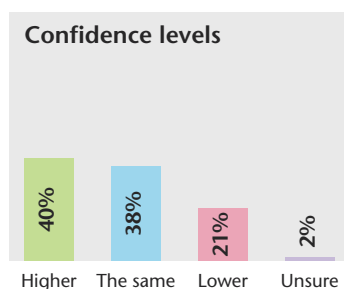
### Top business 'tools' implemented in last 18 months

Increased CRM activity	52%
Seeking new market segments	34%
Avoiding red tape	34%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	45%
Increased CRM activity	41%
Increasing marketing spending	36%

## Ireland



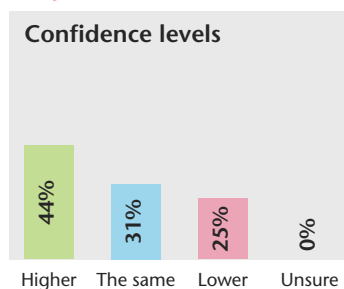
### Top business 'tools' implemented in last 18 months

Freezing/reducing pay	71%
Cutting discretionary spending	71%
Changing products or services	54%
Staff reorganisations	54%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	46%
International expansion to UK	35%
Seeking new market segments	33%

## Italy



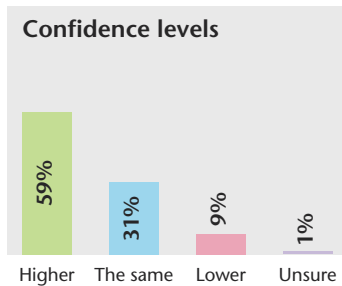
### Top business 'tools' implemented in last 18 months

Seeking new market segments	52%
Increased CRM activity	44%
Cutting discretionary spending	35%

### Top business 'tools' to be implemented in next 12 months

Increasing marketing spending	54%
Cutting discretionary spending	52%
Increased CRM activity	51%

## Russia



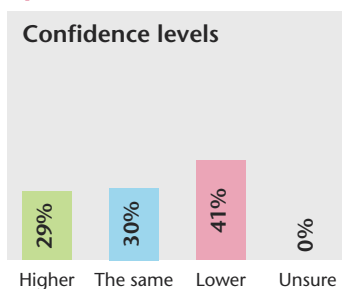
### Top business 'tools' implemented in last 18 months

Increased CRM activity	58%
Seeking new market segments	56%
Increasing R&D	55%

### Top business 'tools' to be implemented in next 12 months

Changing products or services	65%
Increased CRM activity	59%
Increasing spend on technology	58%

## Spain



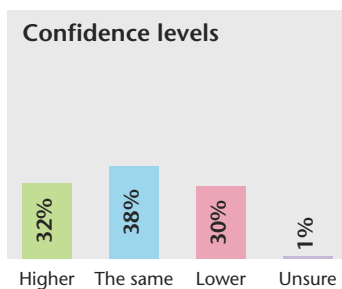
### Top business 'tools' implemented in last 18 months

Seeking new market segments	60%
Increased CRM activity	49%
Cutting discretionary spending	49%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	38%
Staff reorganisations	32%
Cutting discretionary spending	32%

## UAE/Middle East



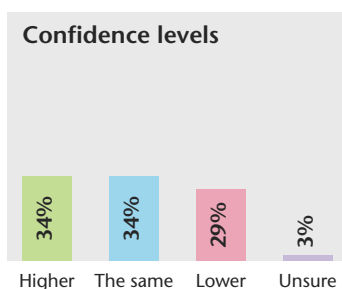
### Top business 'tools' implemented in last 18 months

Increased CRM activity	70%
Cutting discretionary spending	58%
Staff reorganisations	57%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	36%
Increased CRM activity	35%
Outsourcing staff or services	34%

## UK



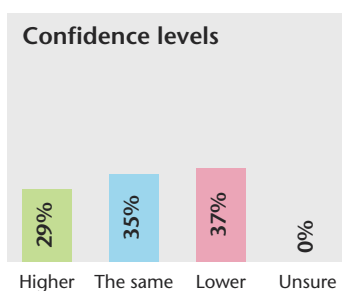
### Top business 'tools' implemented in last 18 months

Targeting new clients	69%
Increased CRM activity	65%
Cutting discretionary spending	65%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	34%
Targeting new clients	32%
Changing products or services	30%

## USA



### Top business 'tools' implemented in last 18 months

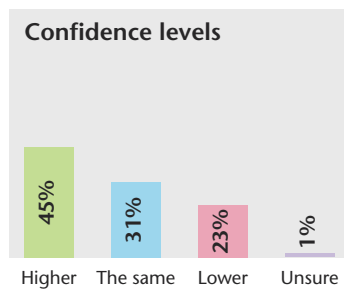
Cutting discretionary spending	53%
Increased CRM activity	48%
Seeking new market segments	38%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	45%
Increased CRM activity	36%
Changing products or services	29%

## Appendix B: Key statistics by sector

### Business services



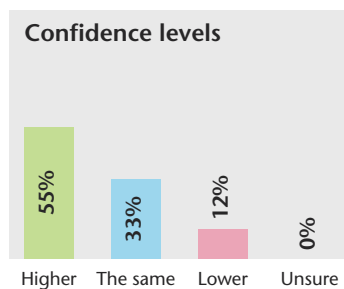
#### Top business 'tools' implemented in last 18 months

Increased CRM activity	60%
Seeking new market segments	55%
Cutting discretionary spending	44%

#### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	44%
Changing products or services	38%
Increasing marketing spending	38%

### Chemicals/pharmaceuticals



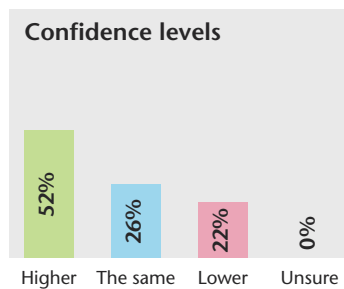
#### Top business 'tools' implemented in last 18 months

Increased CRM activity	61%
Cutting discretionary spending	55%
Avoiding red tape	48%

#### Top business 'tools' to be implemented in next 12 months

Changing products or services	48%
Increased CRM activity	45%
Staff reorganisations	45%

### Energy and natural resources



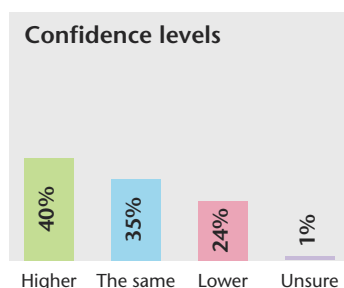
#### Top business 'tools' implemented in last 18 months

Seeking new market segments	52%
Cutting discretionary spending	37%
Increased CRM activity	30%
Freezing/reducing pay	30%
Increased marketing spending	30%
Increasing spend on technology	30%
Joint ventures	30%

#### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	63%
Outsourcing staff or services	56%
Cutting discretionary spending	48%
Increasing marketing spending	48%

### Financial institutions



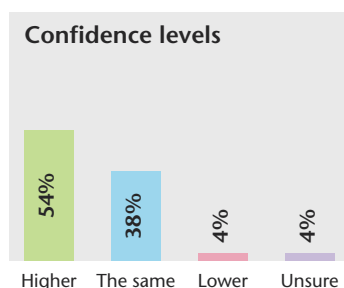
#### Top business 'tools' implemented in last 18 months

Increased CRM activity	57%
Cutting discretionary spending	55%
Seeking new market segments	48%

#### Top business 'tools' to be implemented in next 12 months

Changing products or services	45%
Seeking new market segments	41%
Increased CRM activity	40%

### Food, drink and tobacco



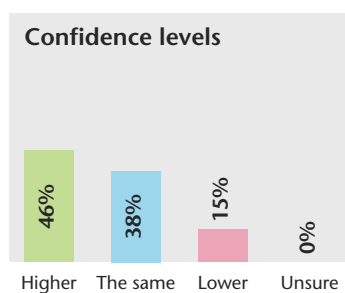
#### Top business 'tools' implemented in last 18 months

Cutting discretionary spending	58%
Seeking new market segments	54%
Increased CRM activity	54%

#### Top business 'tools' to be implemented in next 12 months

Staff reorganisations	46%
Seeking new market segments	42%
Changing products or services	42%
Increasing marketing spending	42%

## Healthcare



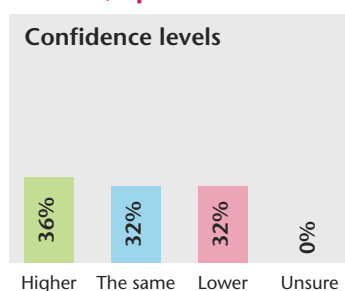
### Top business 'tools' implemented in last 18 months

Increased CRM activity	56%
Cutting discretionary spending	49%
Seeking new market segments	46%

### Top business 'tools' to be implemented in next 12 months

Cutting discretionary spending	54%
Increased marketing spending	51%
Increasing spend on technology	49%

## Leisure, sports and entertainment



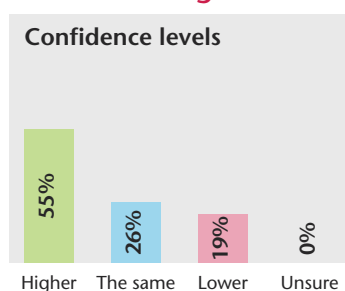
### Top business 'tools' implemented in last 18 months

Seeking new market segments	60%
Cutting discretionary spending	60%
Increased CRM activity	60%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	56%
Increased marketing spending	32%
Increasing R&D	32%
Increasing spend on technology	32%

## Manufacturing



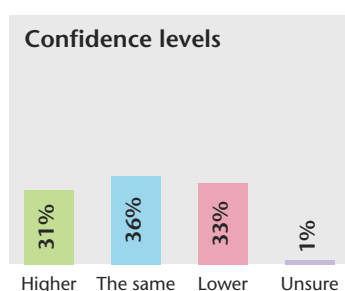
### Top business 'tools' implemented in last 18 months

Seeking new market segments	66%
Increased CRM activity	58%
Staff reorganisations	52%

### Top business 'tools' to be implemented in next 12 months

Increasing spend on technology	44%
Increased CRM activity	42%
Increasing marketing spending	41%

## Professional services



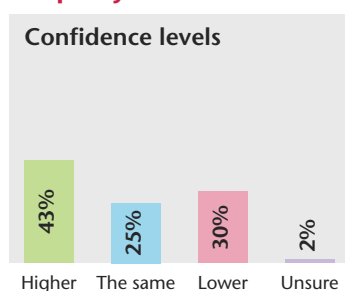
### Top business 'tools' implemented in last 18 months

Increased CRM activity	61%
Cutting discretionary spending	53%
Seeking new market segments	43%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	35%
Increased CRM activity	34%
Cutting discretionary spending	34%

## Property/construction



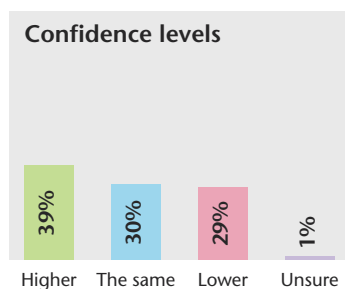
### Top business 'tools' implemented in last 18 months

Cutting discretionary spending	57%
Freezing/reducing pay	52%
Seeking new market segments	49%
Increased CRM activity	49%
Staff reorganisations	49%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	44%
Increasing spend on technology	40%
Seeking new market segments	37%

## Retail/wholesale



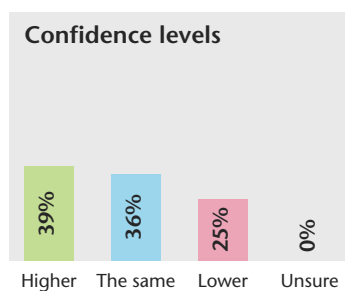
### Top business 'tools' implemented in last 18 months

Increased CRM activity	53%
Seeking new market segments	52%
Cutting discretionary spending	50%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	43%
Seeking new market segments	40%
Increasing marketing spending	33%

## TMT



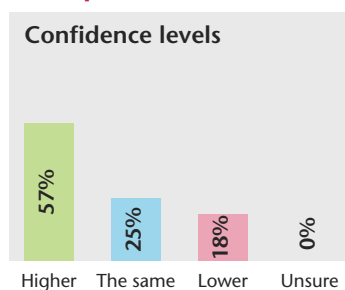
### Top business 'tools' implemented in last 18 months

Seeking new market segments	58%
Increased CRM activity	49%
Cutting discretionary spending	48%

### Top business 'tools' to be implemented in next 12 months

Increased CRM activity	55%
Seeking new market segments	41%
Avoiding red tape	39%

## Transport and distribution



### Top business 'tools' implemented in last 18 months

Increased CRM activity	64%
Seeking new market segments	55%
Cutting discretionary spending	55%

### Top business 'tools' to be implemented in next 12 months

Seeking new market segments	45%
Increased CRM activity	45%
Staff reorganisations	45%

## Have your say

What do you think of this report? Do you share the same beliefs as our respondents or do you think the future will be different? What have been your experiences of the recovery and which tools did you use?

We would be delighted to hear your views on any issues related to this report. Simply submit your comments using the form below. Thank you in advance.





For a full list of our offices and contact details please visit

[www.eversheds.com](http://www.eversheds.com)

ECEN.829