

AMCF Meeting Summary Series

March 6, 2008
New York, NY

AMCF Dinner Discussion – Recession: Threat or Opportunity?

Discussants:

Lanny Cohen
CEO
Capgemini

Bill Matassoni
Partner
Baldwin Bell Green LLC

Peggy Vaughan
Global Solutions Leader, Global Business Services
IBM

Moderator:

Steve Sashihara
President and CEO
Princeton Consultants

Are we heading into recession? If so, should we be doing things differently? More importantly, how are we advising our clients in these volatile times? Those were the questions posed to panelists by moderator Steve Sashihara, president and CEO, Princeton Consultants, at the AMCF Dinner Discussion in New York on March 6.

A group of leaders in the consulting profession met to exchange views on the impact of an economic slowdown. Kicking off the discussion, Bill Matassoni, partner, Baldwin Bell Green, LLC, said: "Recessions present great opportunities for organizations to redefine their position in the marketplace. An economic slowdown also offers opportunities for consultants to build relationships with clients when their backs are against the wall."

Presenting the viewpoint of strategy consulting, Matassoni pointed out that clients can make the wrong decisions when they get bogged down thinking about recession. "You have to get them out of that mindset," he advised. "Isn't an economic slowdown going to help you think about your relative competitive position? There is nothing you can do about a recession, but there is something you can do about your company."

Participants agreed that during recession, consultants need to focus on where you want your client to be in the future. "Survival is about the present," Matassoni said. "You can sell a lot of work, but it doesn't build relationships. As consultants, you should be focused on helping your clients succeed in the future."

To illustrate his point, he discussed the turnaround and transformation of Charles Schwab in 2004. Matassoni explained how the company repositioned itself from a pioneer in discount brokerage to a highly successful player in both online brokerage and asset management. He noted that the company was in dire straights up until 2003. He stressed that cost cutting was not implemented merely to survive. "Cost cutting was done in the context of a turnaround and repositioning of the firm," he said. "As consultants, we need to help clients relate cost to what drives competitive position. A turnaround is about winning, regardless of recession."

During the discussion, participants pointed out that a successful turnaround involves a fundamental change in the value proposition of the organization, as in the case of Charles Schwab. "Turnaround has nothing to do with economics," a participant observed. "Companies should be in constant turnaround involving the business value proposition."

Impact on IT Consulting

Peggy Vaughan, global solutions leader, IBM Global Business Services, said that so far, clients are not indicating that they are planning any major reductions in spend for IT as a result of the economic downturn. "Clients are focused more on productivity and growth—and want help on both fronts," she said, "and while relationships will be important to maintain in times of volatility, clients will consider any firm that brings them the innovative ideas to achieve their goals as they compete to maintain or improve their competitive position in uncertain times," Vaughan continued.

In a global marketplace, clients are asking how they can capture growth from emerging markets. According to Vaughan, organizations are looking at their business model in a global landscape and are asking consultants for assistance in changing their business model in relation to this global marketplace. "While this trend offers an opportunity for growth, as consultants we have to consider how best to mobilize the resources we need to help our clients," Vaughan said.

As consultants move into a global arena in emerging markets, assessing business risk becomes critical. The lively dinner discussion pointed to the need for improved security and rapid exit plans to enable companies to go in and get people out in 24 hours if necessary. Participants discussed the value of partnerships in some parts of the world.

In an uncertain market, clients are often less willing to take on other forms of business risk. "Clients today are increasingly considering the risk of delivery," she continued. "They want to understand your ability to deliver. They are asking consultants to share the risk—to 'have skin in the game'."

Living with Volatility

Lanny Cohen, CEO, Capgemini, noted that we are living with a fundamental volatility that is here to stay. "Volatility calls for an adaptive enterprise—one with agility and resilience," he said. "This applies to both client and consulting organizations."

Discussing the current economic downturn, Cohen said that there is a reactive tendency to see it as a repeat of 2001-02. He believes that was a radically different time and nothing nearly as dramatic is happening now. Cohen noted that it is important to look at the current downturn by industry sub-segment. For example, while retailing is down, energy is still going strong.

Consultants need to coach clients to help them live with uncertainty and volatility. Cohen pointed to several themes impacting consulting today. "We are in an idea market," he said. "Clients are looking for the best ideas, rather than simply the relationship or reputation of a firm. They are also more concerned with predictability and results."

Consultants have to look more closely at the value proposition, he continued. "You have to offer something compelling if clients are going to

spend money with you," he said. "Volatility has also placed a premium on acceleration of delivery. Our clients today are saying 'get me through this quickly'."

According to Cohen, consultants need to rethink how we approach the market. "First, we have to look at our account mix, whether it is heavily transactional or based on account relationships," he noted. "Relationship with the client gives you the opportunity to be first at the table."

Cohen also advised that consultants should look at their product mix, channel strategy and competency mix. "We have become very complex, and perhaps we need to rethink that," he suggested.

The dinner discussion also focused on various issues relating to risk. "Offering significant consulting opportunities, financial risk management needs to be revisited," Bill Matassoni said. "Capital allocation should be a strategic, not a budgeting process."

Jocelyn Cunningham, Global Segment Leader for Securities and Capital Markets, Deloitte, and chairperson of AMCF, raised the issue of sovereign market wealth and ownership in private equity. "With investments in US companies coming from the Middle East, Singapore and Norway, there is a risk that some of these investments could exert more control than we expect," she said. "It is potentially scary when these investors can operate in total secrecy, with no rules. We have to start putting these risks on the table for discussion."

For more information about AMCF's Dinner Discussion or to review any of the presentations highlighted in this report, please contact **AMCF** at [\(212\) 551-7887](tel:2125517887) or **Betsy Kovacs**, President & CEO, AMCF bkovacs@amcf.org