

**A**s we settle into a new year and a new decade, some of the caution that accompanied the recession seems to be lifting. There are signs that business confidence is rising and that 2010 will be a year of looking forward.

A recent series of reports by the Management Consultancies Association (MCA) has explored the potential long-term impact of the recession across a number of different industries. Its research suggests that the impact on some sectors has been considerable, disrupting companies, their ways of working, their supply chains and consumers, and also challenging long-held attitudes and old business models and communications channels.

The MCA believes the effects have been such that, in some industries, a 'new norm' has been defined in the ways business will be done. Below we've compiled some highlights of the research, examining the shape of this possible 'new norm', sector by sector, and looking at how organisations can adapt to meet some of the challenges that may be ahead.

#### RETAIL

Many of the UK's high streets have changed forever: big names such as Woolworths and Borders have disappeared and many smaller chains and independents have failed. However, while retailers may have to adapt to a sustained period of lower growth, the MCA asserts that considerable opportunities remain for innovators to make headway.

Some of its key predictions are that:

- the big will get bigger, as those with cash to spend, such as the larger supermarket chains, invest and diversify into new areas. Tesco Telecoms' recent tie-up with Cable & Wireless to provide broadband services seems to be just one example of how much the nation's

- 'grocers' have changed;
  - value/low-price retailers will continue to gain market share as consumers trade down: the success of Waitrose's 'Essentials' own brand label could be seen as an aggressive and effective response to this trend;
  - picking up on the above, propositions must be flexible in order to exploit trends rapidly and effectively;
  - against a backdrop of reduced consumer expenditure, margins are expected to be lower. Rather than relying on one-time savings programmes, the MCA believes that retailers need to ingrain a culture of ongoing efficiency, lean operations and continuous improvement;
  - truly exploiting multi-channel retailing will become vital. We've seen traditional retailers exploring multi-channel for years, but now even online retailers are moving in this direction, with Amazon recently rumoured to be investigating high street collection points;

- retailers must innovate to stimulate demand – they cannot rely on government intervention or subsidy.

In conclusion, the MCA suggests that, if they want to respond successfully to their new environment, retailers should consider switching their attention away from cutting costs towards investing in new products and services, distinctive branding and improved customer service. Forty-six per cent of consultants believe UK retailers are "very well" or "quite well" positioned to take advantage of the recovery, relative to those in other European countries, though they recognise that the immediate outlook undoubtedly remains challenging.

#### MANUFACTURING

According to EEF, the manufacturers' organisation, the UK sector will only see a muted recovery in 2010 before posting stronger growth in 2011. But this outlook is far from certain. Demand will be much harder to forecast in the future: will spending

# Time to change your gameplan

*As we move out of recession, new 'norms' are becoming established, and businesses will need to adapt to meet the challenges ahead. We look at the changing landscape in four key sectors, as mapped by the Management Consultancies Association*



**“Companies that are bold in embracing change will fare best”**

## The Berkeley Partnership

on cash flow and capitalised on the relatively weak value of sterling to win overseas work. However, only one in 10 property and construction firms is seizing the opportunity to invest its way to future growth by taking advantage of low prices and property values.

Obstacles to recovery remain in the form of rising unemployment, restricted mortgage lending, government spending cuts reducing public sector projects, and skills shortages as migrant workers return to their own countries. The combination of these factors will lead to increased competition within the sector.

Consultants interviewed by the MCA highlighted funding and/or cash flow problems as the most substantial barrier to recovery. But they also pointed to the industry's poor record on innovation. Prioritising innovation and managing costs, while also being prepared to stretch to invest, are the areas they believe property and construction companies could best focus their energies on in what is likely to be an extended period of low growth. There are still tough times ahead.

### BOLDNESS – AND STRUCTURE – REQUIRED

Recessions create both pressures and opportunities: looking across all sectors, the MCA's research suggests that those companies that are bold in embracing change will fare best.

But a note of caution: while there may well be a 'new norm' out there, organisations still need to rely on good business basics as they respond. This means striking the right balance between managing costs on the one hand, and innovating and planning for growth on the other; developing a strong vision; and ensuring that new strategies are well thought through and sustainable. By doing so, businesses can position themselves effectively to capitalise on the early signs of recovery. ■

Click [here](#) to read more of the MCA's New Norm Series

patterns eventually return to their pre-recession levels, or will consumers still be thrifty when the recession subsides? Much may depend on overseas markets, on the back of export-led growth and a pick-up in world trade.

The MCA suggests that innovation may help to separate the winners from the losers in the manufacturing industry. Most UK firms are already lean, having cut excesses in production and costs, so it believes the focus will shift. As in retail, new product development could play a role. To succeed here, and with demand less predictable, there may need to be more proactive collaboration between manufacturers and retailers.

The MCA also sees opportunities for those who can unlock the efficiencies in their organisational structure and people. It concludes that a lack of effective leadership at the top of some organisations and an inability to invest or adapt are key barriers that manufacturers should look to overcome if they are to come out of 2010 on top.

### FINANCIAL SERVICES

Where to start? With unhappy regulators at home and at supranational level imposing stringent controls, distrustful customers to placate and cheeky new start-ups from other sectors (those grocers again!) to deal with, this is an industry under pressure. The MCA sees financial services firms being tasked

with tightening their governance and risk mitigation structures and processes, behaving more frugally, while simultaneously having to improve customer service.

To respond effectively to these challenges, the MCA believes that firms will need to:

- understand clearly which parts of their business add most value, and focus on excelling in these areas;
- get their organisational structure and architecture right, responding to regulatory change in a coordinated way;
- seize the opportunity to broaden the impact of any essential changes. For example, enforced system changes could deliver higher quality enterprise-wide data availability and real-time information, providing a competitive edge and helping transform the customer experience;
- rebuild trust and put the customer first. As in retail, the sector is under pressure to harness and integrate multiple customer-facing channels, including the web, to service customers more effectively and efficiently.

### PROPERTY AND CONSTRUCTION

Two thirds of the consultants with expertise in the property and construction sector who the MCA interviewed believe it has responded to this recession as well as, or better than, it did to previous ones. Companies have kept a tight rein