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**Executive Summary**

High Performance Business 2009

## Winning in the downturn

How AEX companies are positioned for the upturn

Since the publication in the first half of 2008 of Accenture's Building on High Performance, on the performance of the AEX companies, a lot has changed in our economic environment. The present Accenture report therefore examines the performance of AEX companies in the light of the challenges and opportunities created by the current economic downturn. Accenture has examined the relative performance of 21 AEX companies and compared it with the performance of 169 of their direct worldwide competitors during this period of economic turmoil.

Of the companies examined, twelve qualify as High Potential Businesses, on the basis of top-quartile performance on both Short-term Financial Health and potential for Winning in the Long Term. High Potential Businesses not only survive severe crises like the current one, but actually exploit a crisis, seizing it as an opportunity to create a platform for future competitive advantage, break away from the pack, and become a truly High Performance Business.

Unfortunately, there are no AEX companies among the twelve High Potential Businesses. Two-thirds of the AEX companies have a lower Short-term Financial Health than their competitors. In general, AEX companies are faced with more short-term financial challenges than the competition, especially in terms of cash flow coverage. As a result, Dutch companies are having to devote more time and management attention to dealing with financial distress than their competitors, who may already be shifting their focus towards developing and unleashing long-term potential.

Of the AEX companies, 38% show more potential for Winning in the Long Term than their peers. Although AEX companies have been able to maintain profitability in line with the competition, they have been less able to adjust their operational structure to the changed market conditions.

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A particular weak spot of AEX companies is their footprint in fastgrowing economies, with 67% being outperformed by their competitors. On the positive side, however, what many AEX companies do have is a higher amount of Fuel for Growth, a valuable resource given the current low prices of assets and potential acquisition targets. But will the AEX companies be able to exploit this advantage? Three AEX companies – AkzoNobel, Randstad and KPN – are already positioned at the top of their peer group, showing that Dutch companies certainly have the potential to be long-term winners in their respective industries.

Accenture recognizes that each industry and each company has its own characteristics. However, after carefully studying the High Potential Businesses, four basic responses and matching strategic options have been identified that will enable companies to win in the downturn.

- **Cost Containment**

Companies that are in immediate short-term financial distress and lack direct, distinct long-term potential, will first need to focus on freeing up cash in their operations and if possible refinance their debts.

- **Finance Operations**

Companies that are well positioned for long-term success but which are facing short-term challenges due to their financial health will find it easier to free up cash and implement alternative financing options. They will need to focus first on the operational fundamentals in order to drive expansion and growth.

- **Growth**

Companies with solid Short-term Financial Health but that lack a position for long-term success can use the crisis to develop their path to differentiation and growth. Their key challenge will be to develop the right growth bets and find the fuel for growth to finance these growth ambitions.

- **Acceleration**

Companies with solid Short-term Financial Health and in a strong position for long-term success can exploit the crisis to accelerate away from their competitors, just as the High Potential Businesses examined in this study do. This includes effective M&A, attacking weaker competitors in the market place, and thinking of how to create competitive advantages by "Going Green" (i.e., integrating sustainability into the DNA of the organization in a profitable way).

For each of these basic responses, a generic set of strategic options is available. These will vary in priority, depending on the company's position in terms of Short-term Financial Health and potential for Winning in the Long Term.

On the basis of the outcomes of this study, Accenture has two specific recommendations for companies on how they can come out of the downturn as a winner.

Firstly, in the current economic climate, all companies are faced with the urgent need to manage costs and make sustainable cost reductions. The key to success here is to avoid indiscriminate cost-cutting that may jeopardize the long-term competitive position of the company.

And secondly, companies with the means to invest in growth should act now to take advantage of the weakened competition in order to build leading market positions and boost growth. While there will be attractive opportunities in the mature Western markets, there are also strong arguments for looking further afield. By gaining a position in fast-growing economies, companies will lay the foundations for future growth and success.

## About the authors

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For more information about the study or to request a hard copy of the full report, please visit <http://www.accenture.nl/research>

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