



# 2009 ECONOMIC OUTLOOK

APRIL 2009



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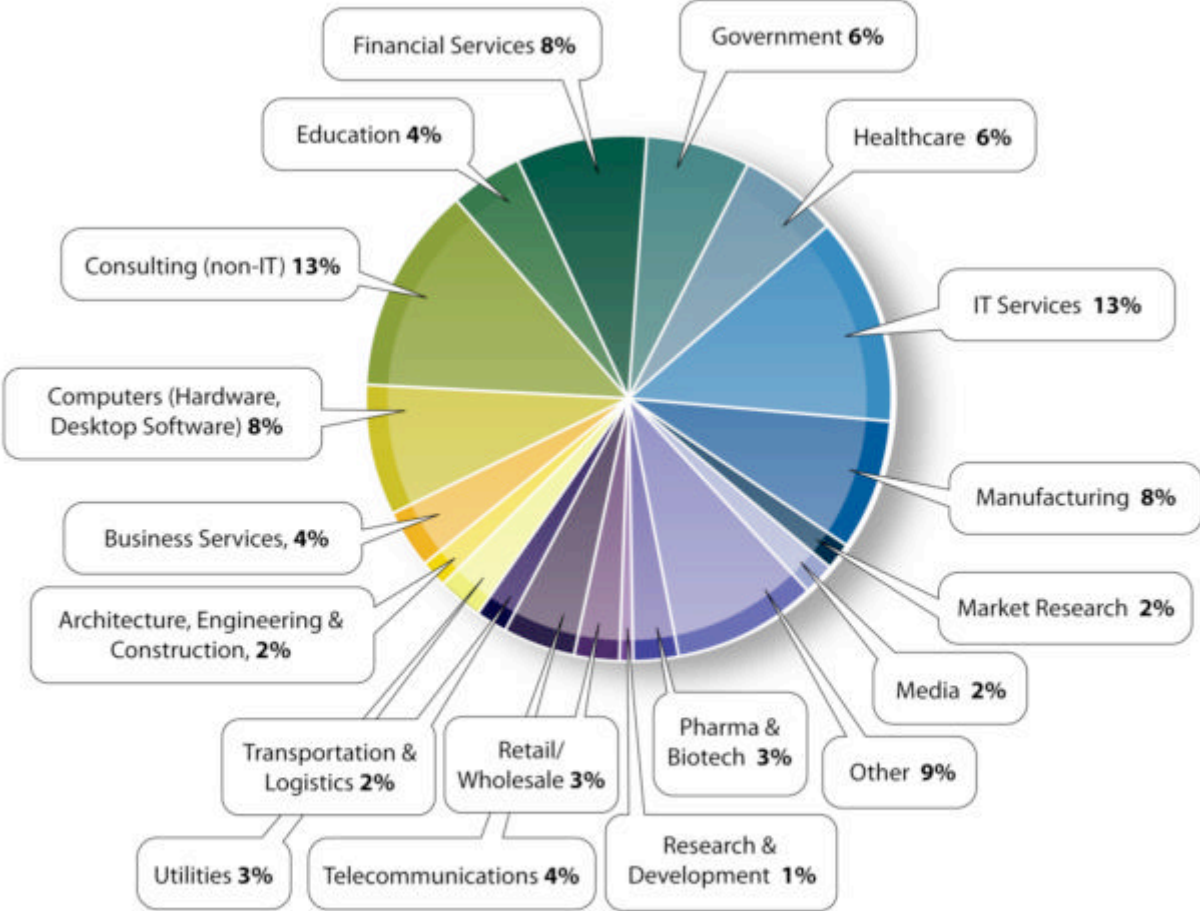
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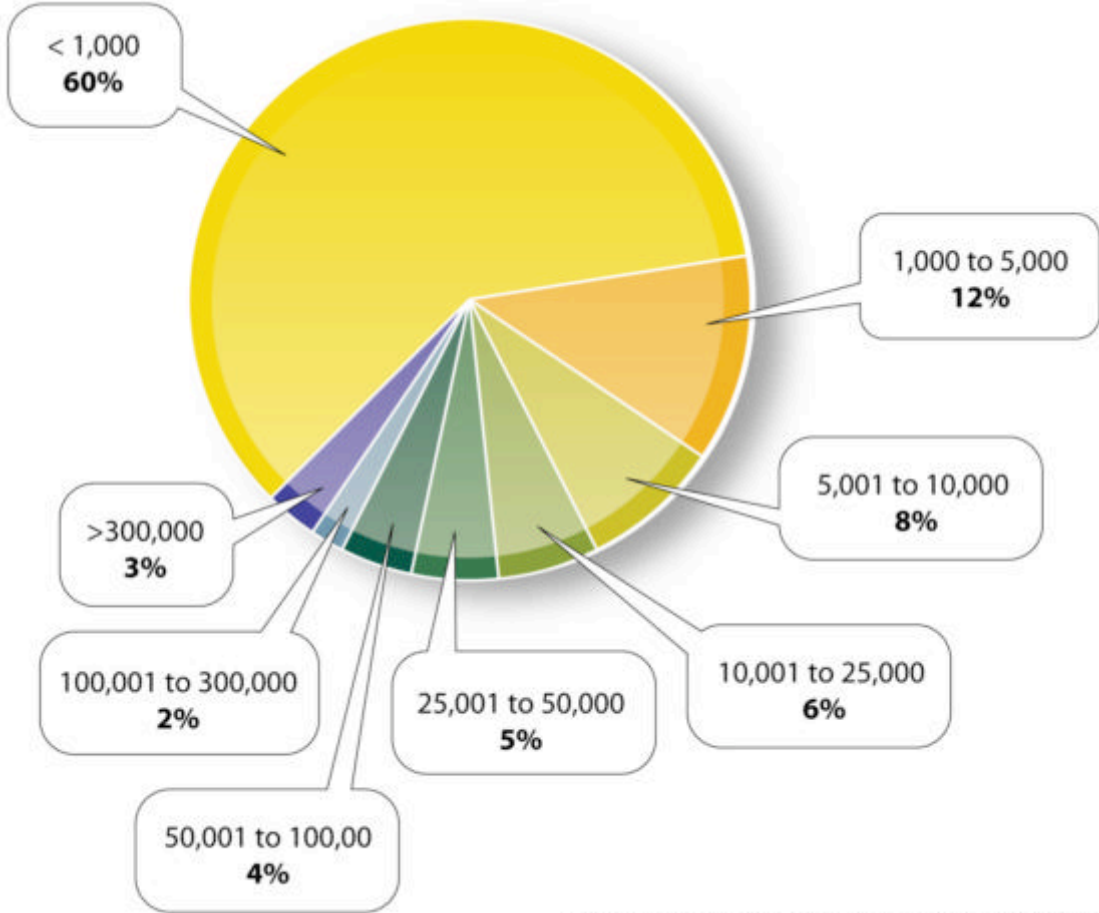
**Figure 1: Breakout of Respondents by industry**



Source: Delphi Group & Transformation+Innovation

N = 320

**Figure 2: Breakout of Respondents by Company Size**

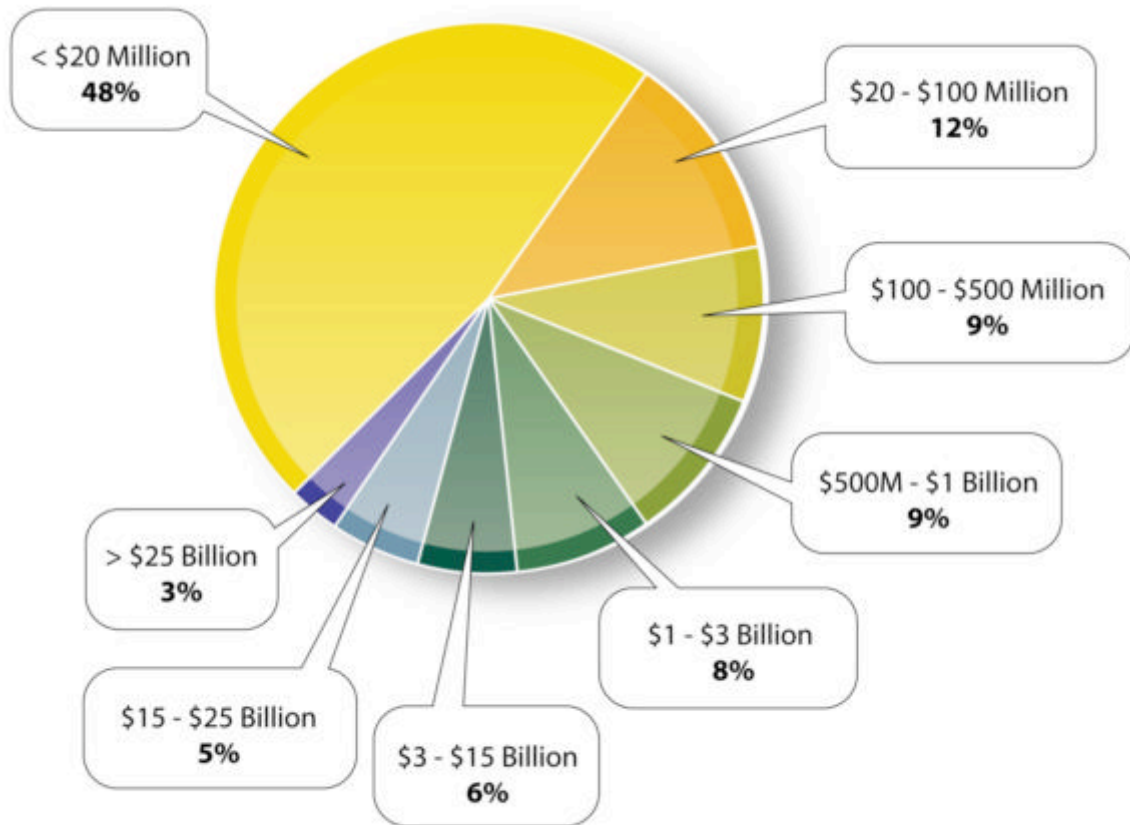


Source: Delphi Group & Transformation+Innovation

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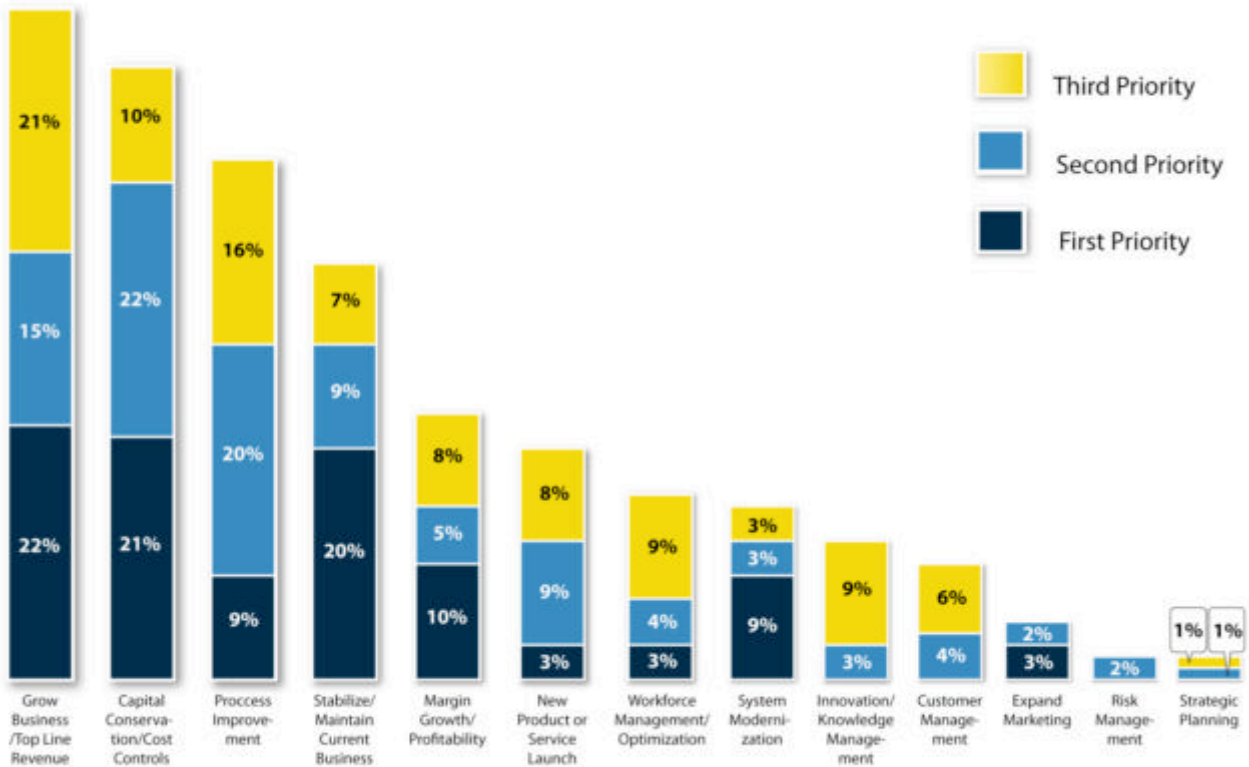
**Figure 3: Breakout of Respondents by Revenue**

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Source: Delphi Group & Transformation+Innovation

**Figure 4: Ranking of Top Three Priorities for 2009**



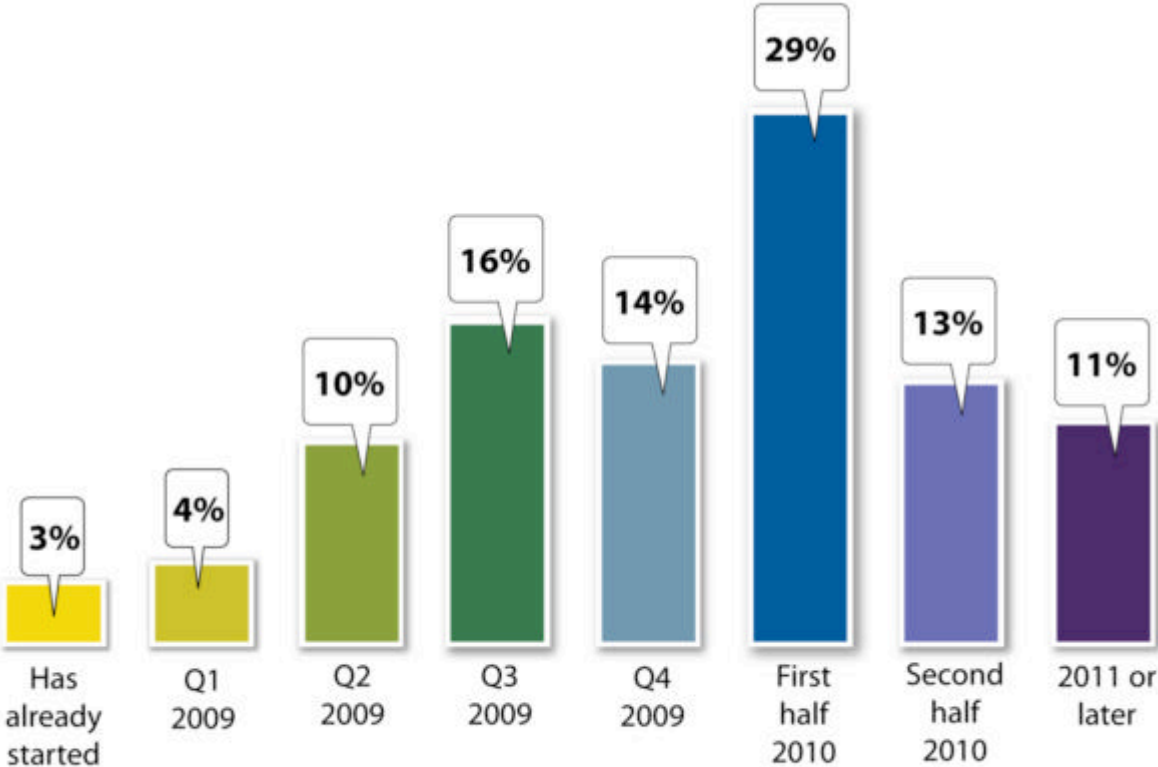
Source: Delphi Group & Transformation+Innovation

The contrast between the two top ranking categories Growth and Revenue is striking in that there is an inherent conflict between growing a business at the top line and conserving cash/cutting costs.

Note that profit is ranked relatively low in comparison.

At the same time, it is of no surprise that strategy is ranked as the lowest priority - although a sad statement on the degree of actual ambition that would fuel growth the conflicts are more than interesting since they point to a very conflicted and disjointed attitude about the future “we know what we want but we are scared to death to go after it.”

**Figure 5: What is the Most Likely Period for An Economic Recovery to Begin?**

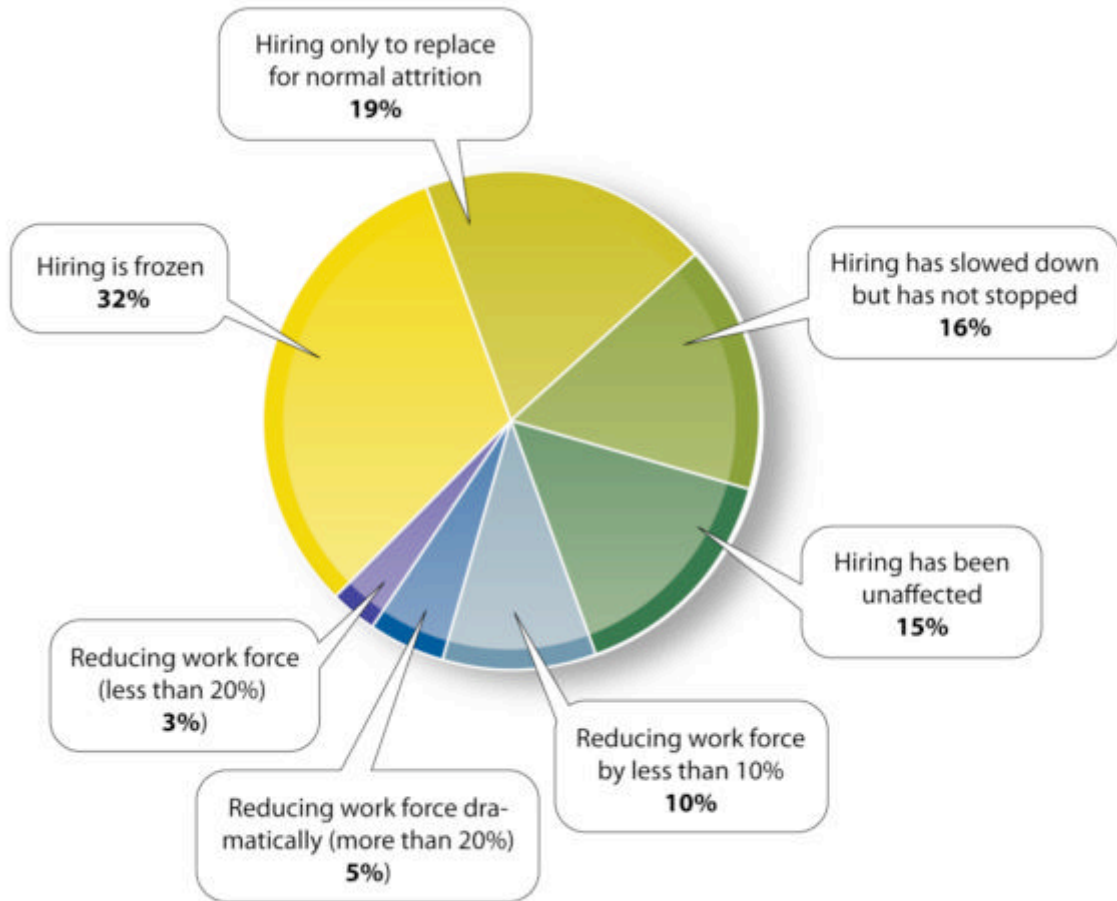


*Source: Delphi Group & Transformation+Innovation*

Few surprises here! Any recovery prior to the 3rd quarter of 09 is highly unlikely based on these responses.

However, the predominant attitude is that we are looking at a 2010 recovery.

**Figure 6: How Would You Best Describe Your Company's Hiring Plans for 2009?**



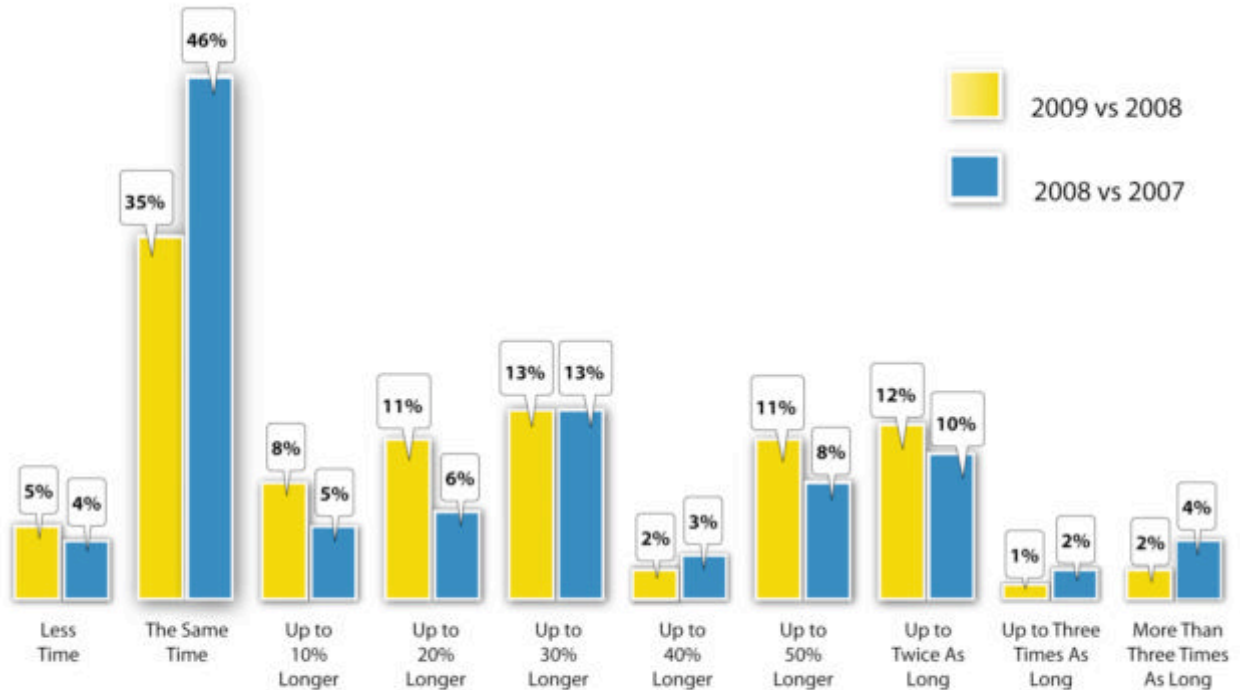
Source: Delphi Group & Transformation+Innovation

The comparison in this chart is not to the relative sizes of the pie slices but rather to the degree of difference between it and the same pie chart a year or two years ago.

The overwhelming majority (approx. 70%) are adopting a “no increase in hire” policy, with a nearly 20% response actually reducing hiring. The numbers speak loudly to the level of uncertainty in future outlooks and projections. It may well be that economic recovery in this case does not equate to a job recovery.

## Figure 7: Year-to-Year Differences in Speed of Decision Making

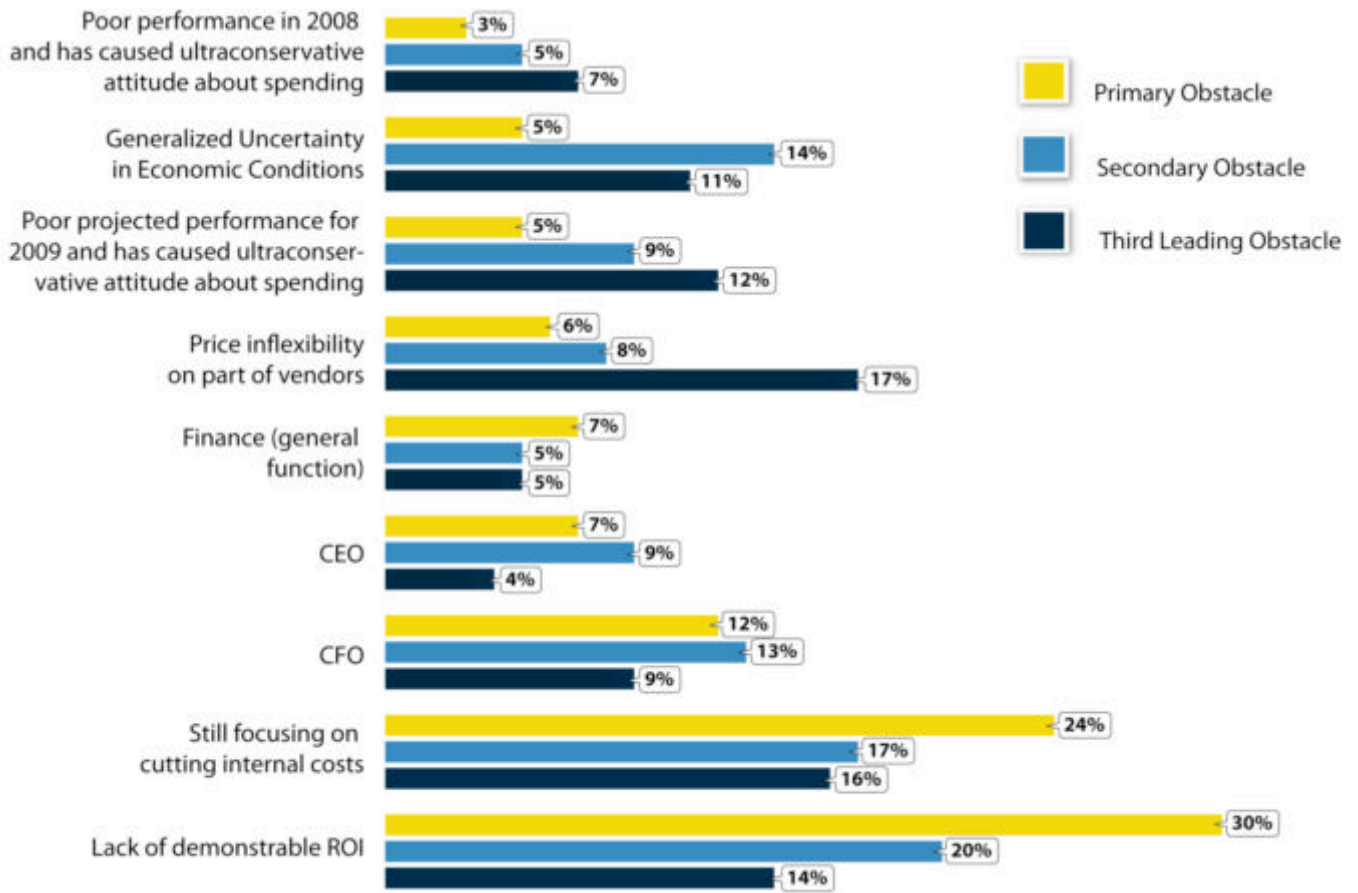
How much longer did/do you expect it will take to make a buying decision?



Source: Delphi Group & Transformation+Innovation

Here respondents were asked to pick the one answer which most closely characterized their experience in 2008 and expected circumstances for 2009, as it relates to the time required for making a significant investment decision. The overall shift is to a longer decision making cycle for 2009.

**Figure 8: Ranking of Contributing Factors Delaying 2009 Buying Decisions**

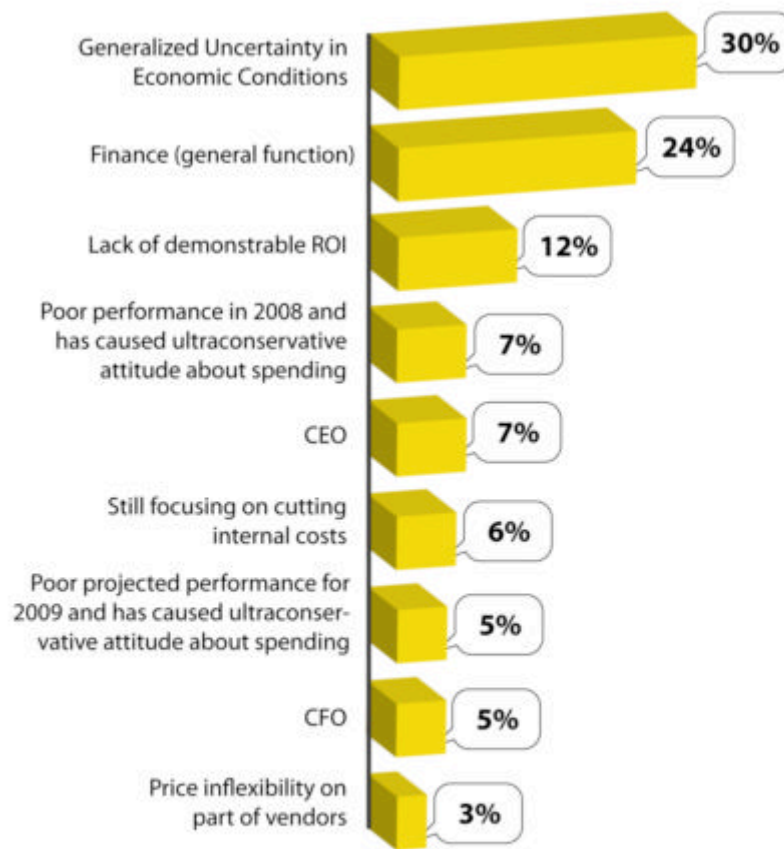


Source: Delphi Group & Transformation+Innovation

Uncertainty is king! The general lack of visibility into the implications of current financial conditions and the marketplace has caused a paralysis that is not easily cured.

Respondents indicate that uncertainty is even a greater issue than actual performance.

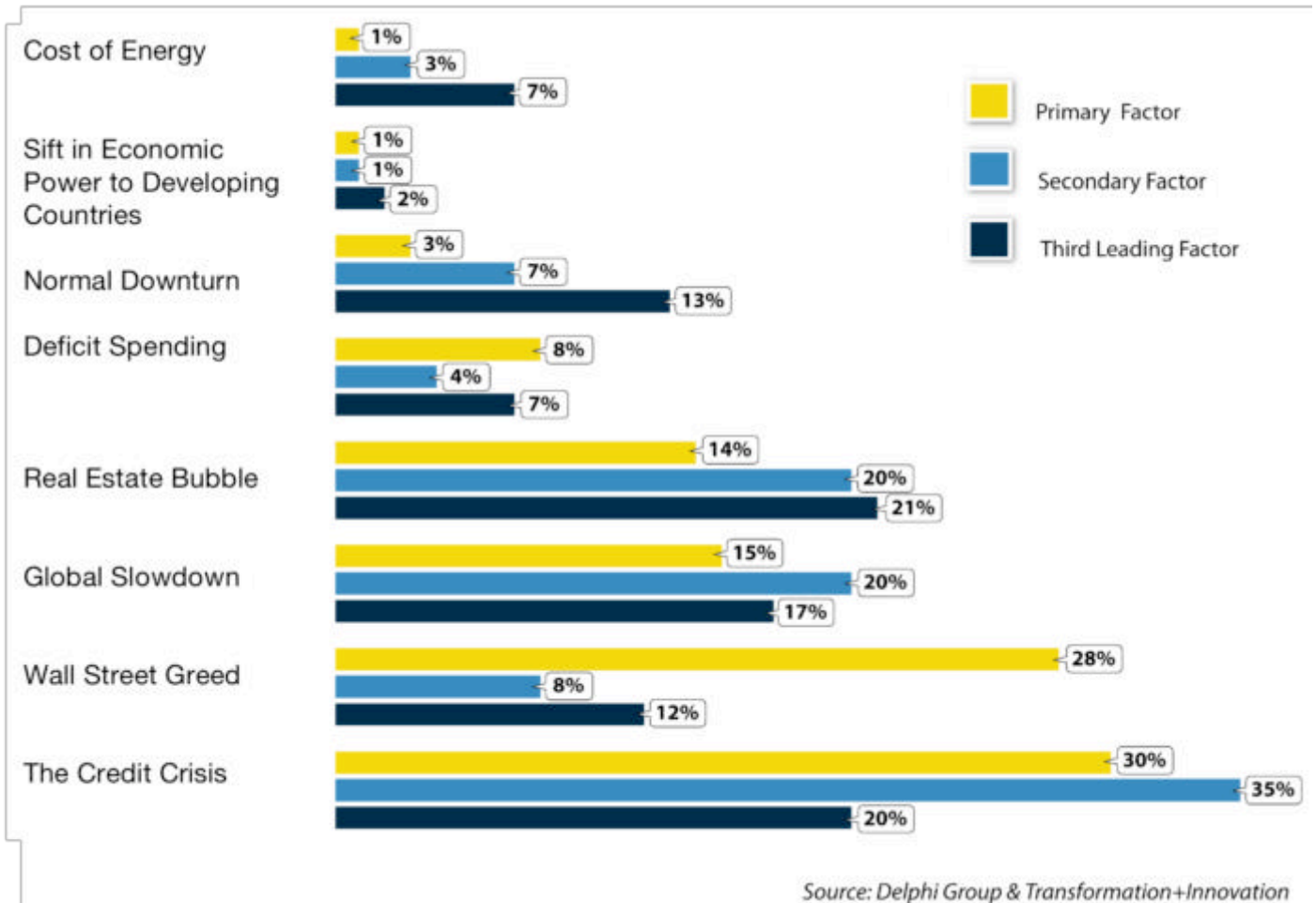
**Figure 9: Single Greatest Obstacle to 2009 Buying Decisions**



Source: Delphi Group & Transformation+Innovation

In contrast the with results illustrated in Figure 8, here respondents were asked to pick the single greatest obstacle for decision making in 2009, as it relates to investment or buying decisions.

**Figure 10: Ranking of Perceived Causes of the Current Economic Slowdown**

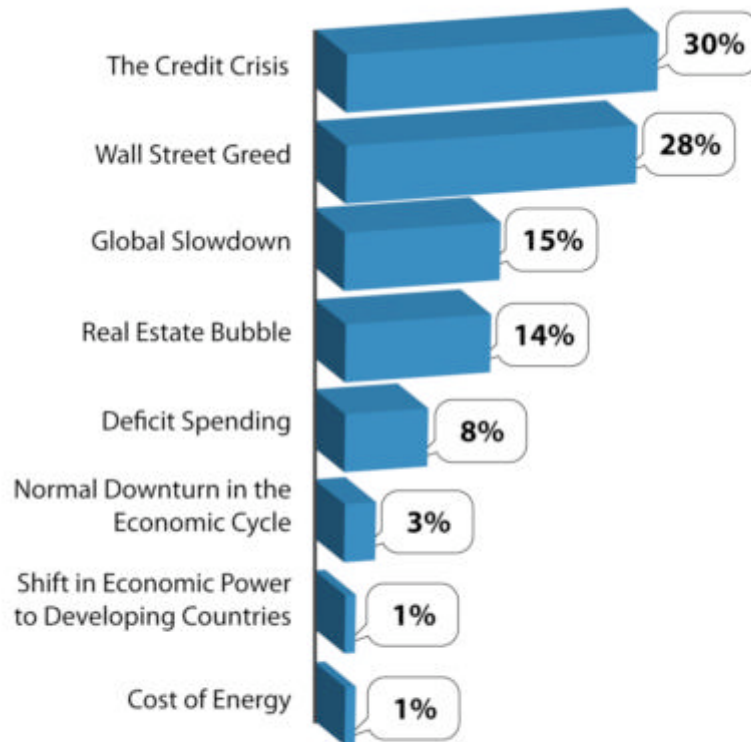


Respondents were asked to rank the above perceived causes of the current economic downturn. The results show the frequency of rankings, based on the top three factors. In other words, 30% or approximately one third of all respondents ranked “The Credit Crisis” as the primary factor in the current slowdown yet an even greater percent (35%) ranked this as the second leading factor.

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## Figure 11: Greatest Perceived Causes of the Current Economic Slowdown

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Source: Delphi Group & Transformation+Innovation

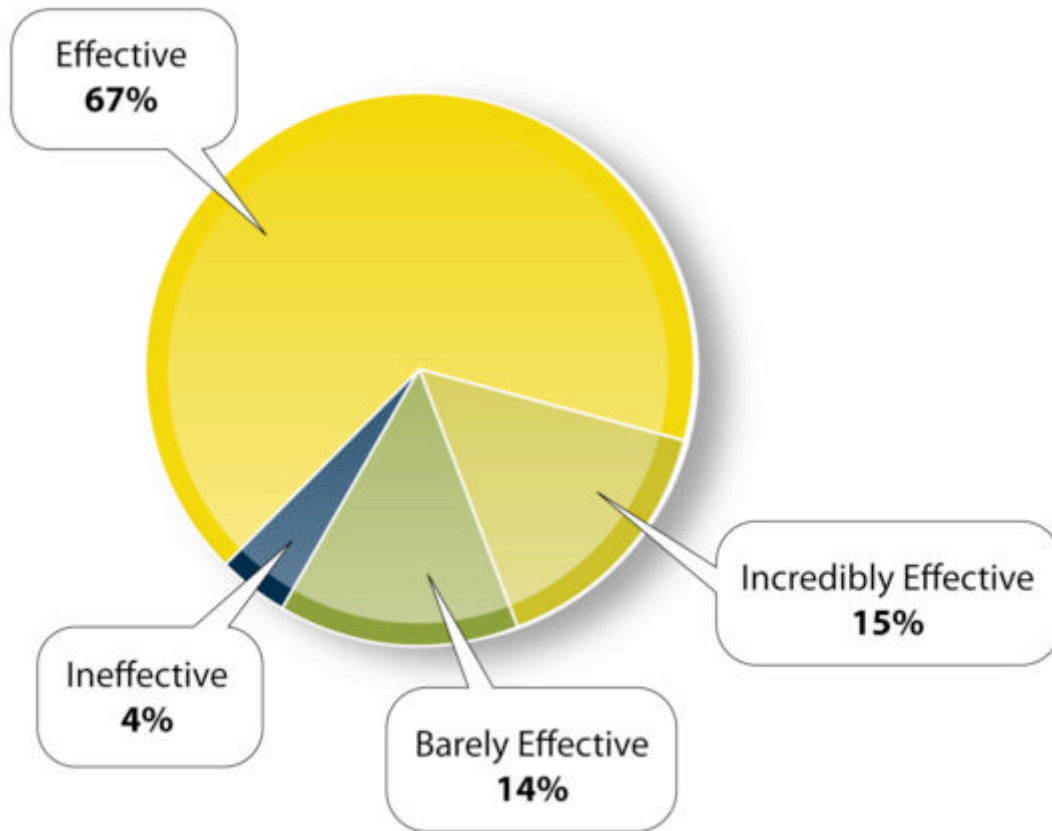
Unlike prior recessions this crisis is one based on credit making it a very difficult one to fund for smaller and highly leveraged organizations. In addition, the toll that the financial crisis has taken psychologically and the degree to which it is synonymous with Wall Street's greed is paramount in the minds of respondents.

This is especially amazing when you consider that the perception of a global slowdown, the real estate bubble, and deficit spending (all of which are indisputably a factor) have been ranked so far lower than credit and wall street as the principal culprits in the current crisis.

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**Figure 12: Ranking of Company's Leadership During the Economic Slowdown**

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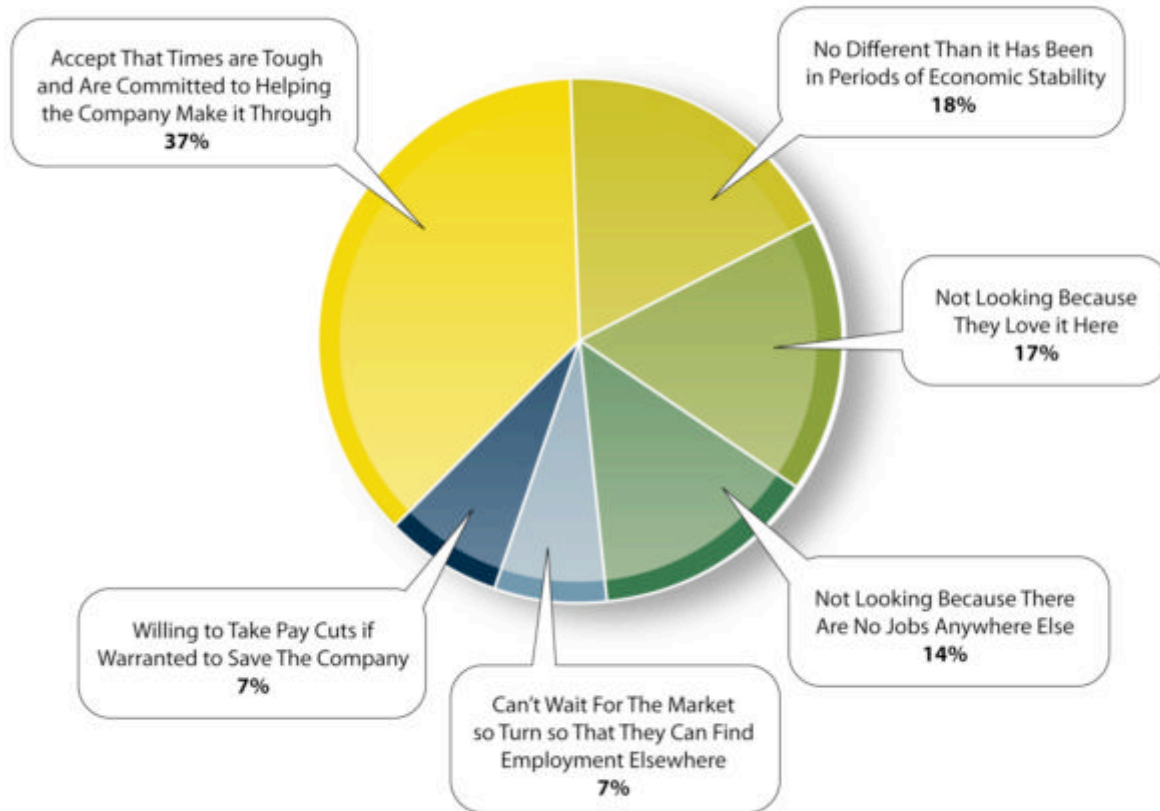
*Source: Delphi Group & Transformation+Innovation*

Surprisingly, and providing some encouragement, is the fact that leadership has been overwhelmingly viewed as a positive and effective influence through the tumult of the current period of turmoil. This is in stark contrast to similar polls we have conducted in other times of financial crisis, such as the dotcom bust when leadership fared far worse in terms of perception and ranking

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**Figure 13: Ranking of Perceived Co-Workers' Current Attitude towards New Employment Prospects**

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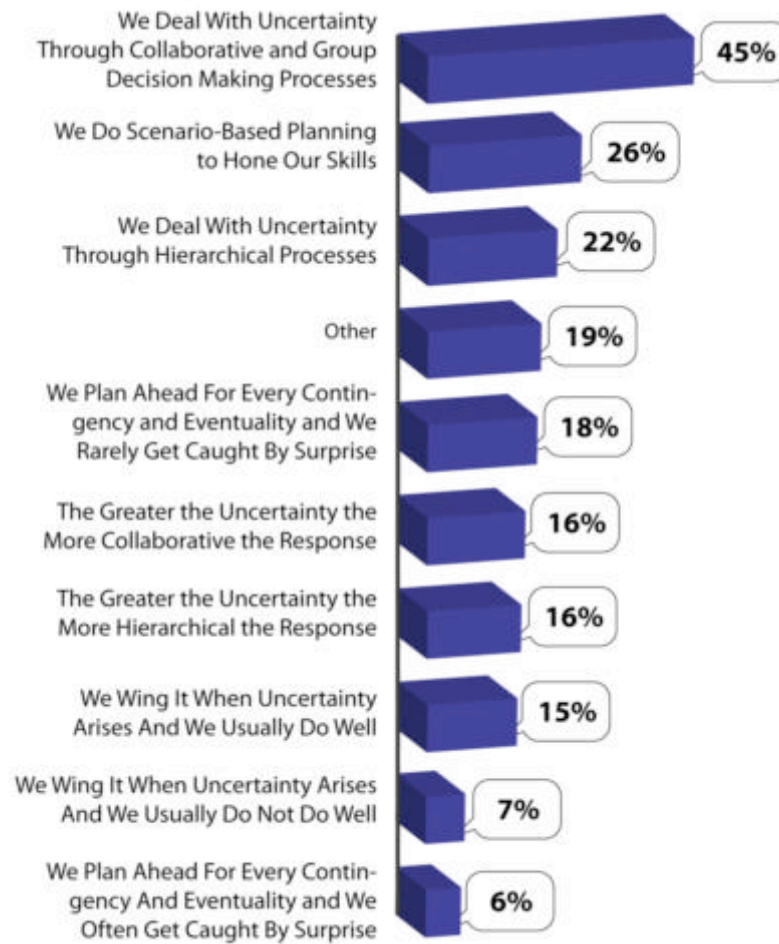
Source: Delphi Group & Transformation+Innovation

Employees are staying put. This may not seem to be a stark revelation but it is an attitude not always seen in times of crisis.

During the dotcom bust a similar questions provoked much more discontent on the part of employees who felt betrayed by employers.

In this case the enemy is amorphous as indicated by the earlier sentiment on uncertainty. As a result employees are looking for security and certainty more than anything else.

**Figure 14: Ranking of How Organizations Deal With Uncertainty**



Source: Delphi Group & Transformation+Innovation

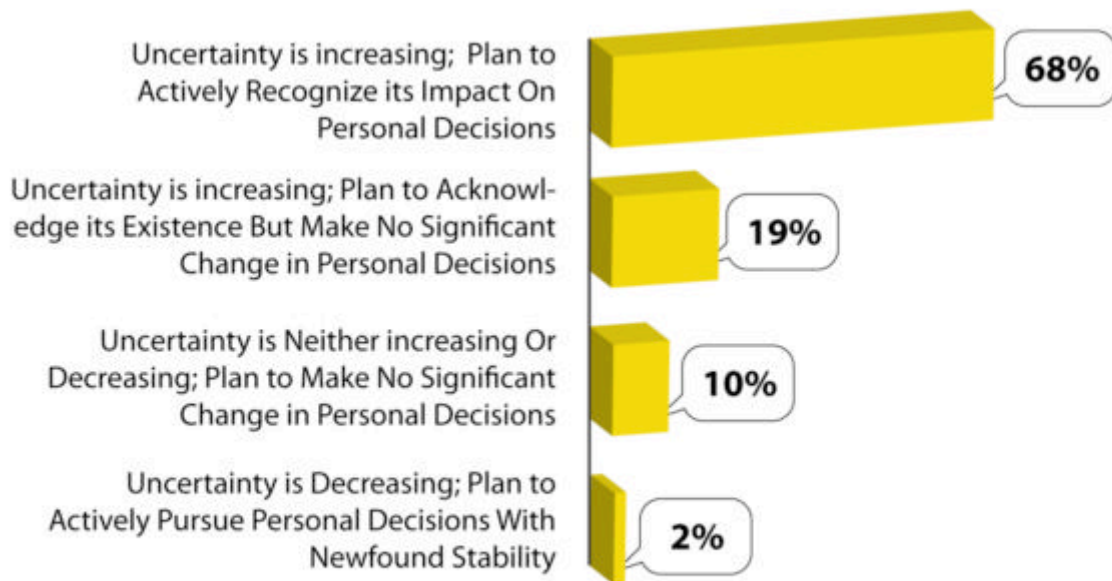
The brightest light in all of the survey data may be the shift towards collaborative solutions as a means of dealing with uncertainty.

It may well be that the heightened interest in social media and networking is a direct result of the intuitive move towards socialization as a means to cope and somehow solve the current crisis.

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**Figure 15: Ranking of Personal Impact Faced by the Rate of Change With Uncertainty Today**

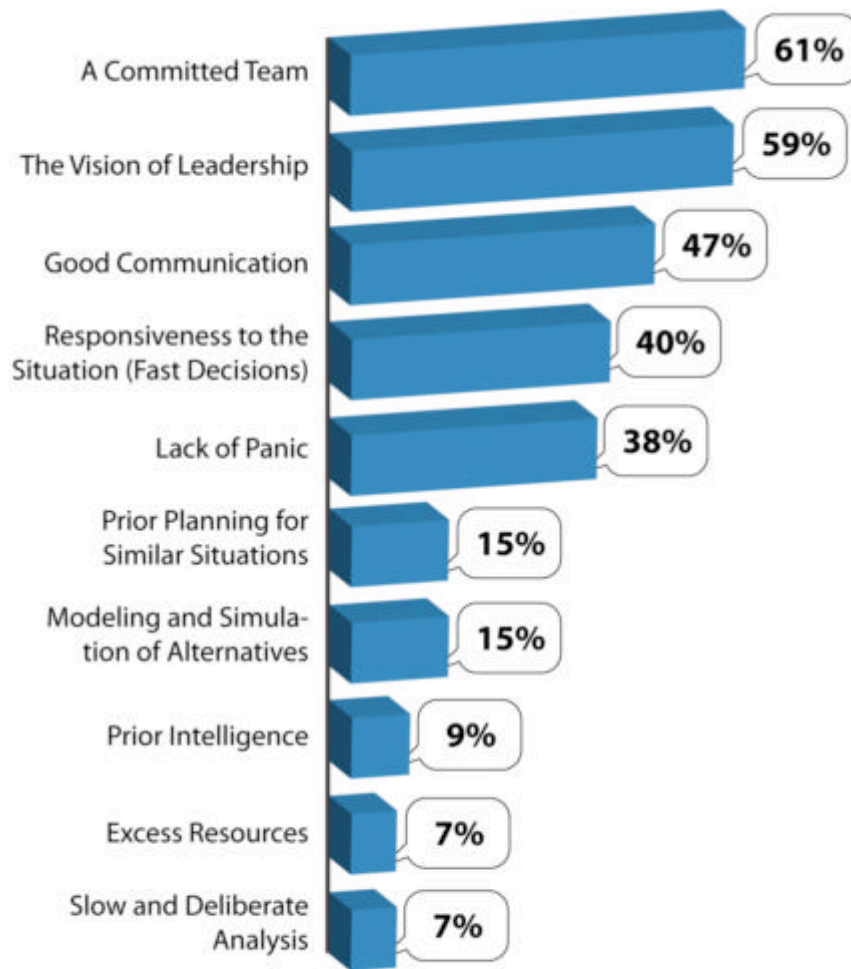
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*Source: Delphi Group & Transformation+Innovation*

Again we see the impressive role uncertainty is playing in our lives. Based on their selection from the mutual exclusive choice listed above, greater than 2/3 of the total respondents indicated that uncertainty is increasing and will affect their personal decisions.

**Figure 16: Ranking of Strategies Found to be of Greatest Value in Dealing With Uncertainty**



*Source: Delphi Group & Transformation+Innovation*

This chart provides the nutshell view of what it will take to get out of the current crisis, namely teams, leadership, communication, and responsiveness.

Note that this is in contrast to the role seen by respondents for Prior Planning, simulation, analysis and prior intelligence. The sentiment simply seems to be that we can't rely on history to tell us what is at stake or how to deal with it. We are breaking new ground and had better be on our best game to do it.