



How to **SURVIVE**
and **THRIVE**
in the **CURRENT**
ECONOMIC CRISIS

BUY when others are FEARFUL

By BROCK DICKINSON

The past few weeks have seen a lot of what market-watchers like to refer to as **volatility: stock markets swing** by thousands of points, the price of **oil spikes and falls**, the dollar careens through **international currency markets** like a drunken sailor.

It's a frightening time for entrepreneurs and business managers whose livelihood depends on being able to read the tea leaves and predict where their business or their market is heading.

To some extent, business is always like this. Since the 1930s when the Czech economist Joseph Schumpeter coined the phrase economic churn, business thinkers have recognized that when some businesses fail and other more innovative businesses grow, it can be a sign of a healthy economy. This is why risk is so central to understanding entrepreneurship.

Occasionally, though, the forces underlying the market can get so out of whack that churn becomes something more akin to an earthquake, and too many businesses begin to fail, often prompting a recession. Over the past few weeks, we've seen commodities and currencies collapse on international markets, we've felt the real estate and oil bubbles burst, and we've watched the credit and banking systems grind to a halt. At one level, this is remote and far away—but the problems have local impacts. They cause banks and financial institutions to collapse, like the U.K.'s Bradford & Bingley Bank in September. They cause entire national economies to go down in flames, like we've seen in Iceland in October. But perhaps most importantly, they cause businesses to downsize and cut just to survive, a tactic we've seen from John Deere in Welland and from too many other Niagara companies in too many other Niagara neighbourhoods.

For business owners and business operators, this is a frightening time. The natural reaction is to circle the wagons, take shelter and wait out the storm.

But is this the right strategy for every business? American super investor Warren Buffet (nicknamed the "Oracle of Omaha") has argued just the opposite. "Buy when others are fearful," he says, "and sell when others are greedy." In other words, frightening times hold some of the best opportunities.

This is a simple but often counterintuitive lesson... when the economy takes a turn for the worst, the natural reaction of most businesses is to downsize, cut and eliminate. For some, this is necessary—as sales fall and credit tightens, some businesses will feel the pinch and be forced into downsizing.

For many businesses, though, this approach may not be in the best interests of the company's long-term performance. In fact, many businesses are relatively well-positioned to weather recessions and economic volatility—and some may even be well-positioned to benefit from it! Here are six strategies to consider as our economy enters a slow period.

STRATEGY ONE: GO GREEN

Many businesses tend to see improved environmental practices as a big expense, but environmental initiatives can be a great way to cut costs while improving overall market position. By conducting corporate waste audits or energy audits, it's possible to identify sources of waste and inefficiency within a corporate operation, and to eliminate unnecessary expenses from the corporate bottom line. Many consulting companies in the audit field will work for a percentage of savings rather than an upfront fee, so there's often little downside to the audit process.

Environmental design is another area of opportunity—how can your company's products

be redesigned to better meet environmental objectives while improving company performance? Multinational food giant Nestlé recently redesigned the bottles used for its Poland Spring bottled water, reducing the volume of packaging by 30%, and the size of the label by about 33%. While this reduced manufacturing costs, the quantity of raw material needed and the company's greenhouse gas emission, Nestlé soon found that the revamped product cost much less to ship—an important consideration in an age of high oil prices. What started as an environmental initiative ended up improving the bottom line.

STRATEGY TWO: GET LEAN

Lean Production is a business concept which suggests that the use of a company's resources for any purpose other than creating value for the client or customer is wasteful. The idea is particularly popular among manufacturers, but can be applied to all businesses. The assumption behind the theory is that over time companies, like all other people-based institutions, adopt

Ashworth Inc, a Carlsbad, California-based designer of golfing attire, recently undertook a training program focused on improving company productivity. As a result, the company reduced both overtime costs and labour costs per unit produced—while maintaining or improving product quality. Company productivity increased by 20%.

STRATEGY FOUR: INVEST IN R&D

Recessions are often a time when the competition stumbles, battering down the hatches along with everybody else. What better time to expand or exploit your market lead by focusing on the next generation of products and services? If the competition is static, there's a huge opportunity for those who innovate. Research and development can sometimes be expensive—but it isn't always money that leads to R&D breakthroughs. Sometimes, it's a matter of bringing in some outside help and rethinking current products and services with a fresh set of eyes.

There are some great tools available to Canadian companies looking to accomplish

In Canada, we have a wide range of tools to help companies explore these opportunities, including a number of financial tools through the Export Development Corporation. EDC is a crown corporation that helps Canadian firms enter new markets by providing advice, intelligence and export insurance. Canada's Ministry of Foreign Affairs also operates a series of Trade Offices around the world, in which full-time Trade Commissioners are available to help Canadian companies understand and access international market opportunities.

STRATEGY SIX: INVEST IN CAPITAL EXPENDITURES

Capital expenditures (or CAPEX) are company purchases designed to upgrade a firm's physical assets such as equipment or facilities. With the dollar still relatively high and interest rates near record lows, now is the ideal time for Canadian companies to be replacing outdated equipment—especially manufacturing equipment or computer systems—with the latest and best available. Generally, such a replacement program will increase efficiency and productivity, which in turn increases profits. This is perhaps the best strategy for repositioning Canadian manufacturers and exporters to be successful in a world where they can't rely on a low Canadian dollar to be their main source of competitiveness.

Making capital expenditures requires financing, and in the current credit crunch, money can sometimes be hard to find—but this is less true in Canada than it is in other countries, especially the United States. The World Economic Forum recently announced that Canada has the "world's soundest banking system" and this soundness is translating into some real advantages for Canadian companies over their American and European counterparts. While it would be nice to see the provincial and federal governments change tax policy to make capital expenditures even more attractive for Canadian companies, even the current financial climate opens the door for many to make huge productivity and profitability gains by upgrading and improving their manufacturing processes or information technology tools and systems.

In the end, while there's no question that the current financial crisis and looming recession pose some very real challenges for many companies, smart firms will be able to look beyond the gathering storm clouds to the opportunities of the future. In fact, acting as the recession takes hold offers real strategic advantage to bold and aggressive firms. To borrow a turn of phrase from Warren Buffett, if they act while others are fearful, they will thrive—in good times and bad. **BN**

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practices and habits that are not the most efficient or effective. By figuring out where those problem areas are and fixing them, productivity can be improved, and profits increased.

There are lots of great resources for helping companies get lean, including the world-famous Excellence in Manufacturing Consortium based in Owen Sound, Ontario. For businesses interested in exploring the concept, the Lean Advancement Initiative at the Massachusetts Institute of Technology (MIT) has a free online toolkit known as the Lean Enterprise Self-Assessment Tool.

STRATEGY THREE: RETRAIN THE WORKFORCE

In a rapidly changing global economy where knowledge is the key driver of business growth, it's easy for skills to become outdated. When business is good, it's often difficult to find time for retraining or skills building—a slowdown can actually create a window of opportunity for building knowledge and expertise within a company. It's also a great time to haggle with training providers to knock prices down, as they're generally hard hit in a downturn too.

this, including IRAP—the Industrial Research Assistance Program of the National Research Council—which can make scientific and technical help available for R&D activities. Canada also has some of the most progressive tax policies in the world when it comes to R&D, including the Scientific Research and Experimental Development (SR&ED) tax credits which can fund as much as 100% of R&D costs.

STRATEGY FIVE: OPEN NEW MARKETS

More than 80% of Canadian exports go to the United States. One of the reasons we're facing a recession in Canada is our overreliance on the U.S. market, and the current "Made in the USA" financial crisis is showcasing our weakness. As this traditional market declines, we need to refocus our attention on other economies, other business partners and other countries. One obvious choice is the newly-emerging BRIC countries of Brazil, Russia, India and China—poised to be market powerhouses in the 21st Century. While China gets lots of press and lots of business attention, the rest of the BRIC group is often ignored.