

## Growing in a Down Economy

Preben Damgaard, vice president, European Middle East and Africa (EMEA) Operations for Microsoft Business Solutions, gives his take on how to grow in challenging times.

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A few years ago, during a break at a conference on the "new economy," I overheard one eager investor ask the keynote speaker what kind of company was best positioned to make money in the new economy.

The speaker looked at the man in disbelief and said, "In the new economy, any idiot can make money." Well, a lot of people did make easy money by starting-up companies and by investing in new technology. And although many of these people eventually lost the money again, not all of them were idiots. Not by a long shot. It was easy to get caught up in the excitement of the moment. The really smart people, however, knew the truth. There's no such thing as easy money.

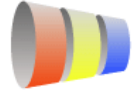
Whether the economy is wildly optimistic or somewhat pessimistic, you have to stay focused, keep a cool head and see the big picture. Some people got caught up in the excitement of a strong, Internet-driven market a few years ago.

In a down economy, many people will shoot from the hip. They may try to cover all bases by diversifying. They may go into denial and do nothing. Or they may cut costs like there's no tomorrow.

The truth is that there are always those who lose sight of their long-term strategy. It's important to remember that no matter what state the economy is in, there are always growth opportunities for those who stay focused. In fact, a down economy can present new opportunities precisely because your competitors tend to focus inward, become defensive, and sometimes fail to act altogether. Let's consider the typical responses to a down economy, which I've seen among companies in our target market. Let's also consider how you can take advantage of the situation and turn it to your advantage.

### Stay Focused

One reaction to a down economy is to spread your efforts and try to cover all the angles. After all, it's only natural to react to tough times in a conservative way. But is diversifying your business the answer? If you want to grow, you need to keep your aim on activities that support your long-term plans. You can use the challenging situation as an excuse to do some strategic reassessment to find out which areas can support and improve your long-term strategy.



Look at the places where the various threads of your business network—customers, partners, and employees—intersect. Look at the places where something of value is created. What is the unique value you deliver to your market? Maybe it's business or technology expertise. Maybe it's fast delivery, personal service, inexpensive pricing, or some combination of strengths. Whatever your value offering is, find it and stick to it. Don't be like the proverbial hunter who goes after two rabbits at the same time and ends up hungry. Concentrate on your core strengths regardless of the economy, and you'll continue to be successful.

### **Build on Your Strengths**

A second way of responding to the prospect of hard times ahead is to stop spending completely. Everything seems to be going well for the moment, so why tempt fate? Well for one thing, a down economy may be just the time to move ahead of the competition. Many of your competitors will be focusing inward, cutting costs, and freezing investment. This gives you an opportunity to step ahead.

Rather than blocking growth, you can look for ways to get more out of your existing resources. Once you've identified areas that support your long-term strategy, you can find ways to get rid of some of the non-value-adding processes.

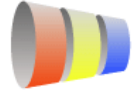
Rather than halting growth and only focusing inwardly, you can find new ways to streamline your business by collaborating with your customers and partners. This may involve investing in new technology. And if that new technology supports your strategy, you will find that the return on investment will be relatively fast and favorable.

For example, many companies are using XML (a low-cost standard for electronic data interchange) as the basis to improve communication with partners. They're lowering the cost of doing business by eliminating paper catalogs and using information such as supplier inventory data to improve their planning. At the same time, they're adding value to their partners and customers businesses.

### **See the Big Picture**

Finally, some of your competitors will try to deal with a down economy by cutting operational costs to the bone. Of course, there's nothing wrong with getting rid of a little fat—if it is indeed fat. But, you should keep the dangers of downsizing in mind as well.

Recent studies—and common sense—show that downsizing decreases employee morale, which in turn decreases productivity. It's even more demoralizing when the downsizing includes human resources. And did you know that the cost of replacing a worker ranges from a half to two-and-a-half times their annual salary? Besides, companies that don't lay off a single employee will still lose staff through natural turnover.



If you do downsize, be prepared to face the negative consequences. On the other hand, PricewaterhouseCoopers reports that companies that grow faster than the competition double the chances of realizing above average shareholder value gains.

### **Think of It as a Growth Opportunity**

It's understandable to want to adopt defensive tactics during hard economic times. In fact, it's so understandable that most of your competitors will do just that. They'll stop spending. They'll cut costs. They'll diversify their efforts, and they'll do it all without taking into careful consideration how it affects their long-term strategic planning.

This gives you a chance to leap ahead. Even by keeping your normal pace of business, you can ease past the competition—because they will most likely be moving slower or standing still. You need to grow to thrive as a business, and a down economy should not alter your long-term strategy.

You should never lose sight of the unique value that you bring to business relationships. If we could have our choice, I'm sure we'd all prefer an upbeat market but that's not the reality. Just don't forget that the reality of a down economy includes real opportunities for growth.