In a Changing Economy Companies Are Losing Their Way

An economic downturn affects every segment of society. Many companies downsize, get acquired or go bankrupted. Hundreds of thousands of workers are laid off, their homes are foreclosed, and the value of their life savings, investments and retirement plans are significantly reduced. People worry about job security and are less incline to take risks.

There are business and investment opportunities in every kind of market conditions. For every person who is losing money in the market, someone else is making money. Companies unable to compete close their doors for good, only to be replaced by other companies. Markets change and you have to be prepared to change with the times.

An economic downturn is an opportunity for the market to re-balance itself. Some popular market practices were creating an imbalance in the marketplace and the downturn was an attempt by the market to correct the imbalance. The most recent mortgage crisis was an attempt by the market to correct the problems in the mortgage and financial services industries. Many companies fail because their business practices were not in sync with the marketplace. If they were not doing something fundamentally wrong, they would have survived.

Businesses often run into problems because they continue to do things *the old way,* even when the market is telling them to do it a new way. Squeezing the last cent of profit out of your customers in these tough economic times is a sure way to alienate your customer base and force the closure of your business. Yet many companies are doing just that. They are increasing their charges to customers while reducing services. In an attempt to make the company more profitable, every department and everything is looked at as a "profit center." The focus of the business is no longer on its core competencies but on maximizing profits. By emphasizing the bottom line, these companies are forgetting the reasons they grew and became so successful. If you look at the research on successful companies, they did not focus on making a profit. They focused their intention on making the best product or providing the best services in a specific area of expertise. Companies like Hewlett Packard, Apple, Google, Microsoft, and Nordstrom focused on their areas of expertise to bring their best products and services to the marketplace. As a consequence, they made lots of money.

In these trying economic times, many companies are forgetting the reasons they were successful and the lessons they learned getting there. They are so consumed with the bottom line that they are destroying the very foundation on which their businesses are based - quality products and service, and customer loyalty. Increasing prices and reducing services to protect profitability will not ensure that the business will survive this current economic downturn. To survive and thrive in the new economy, companies will have to seek out new methods of doing business because the old ones are not working. In managing your business, are you doing it the old way or the new way?