



SURVIVAL & RESPONSIBILITY OF ENTERPRISES IN A VULNERABLE ECONOMY

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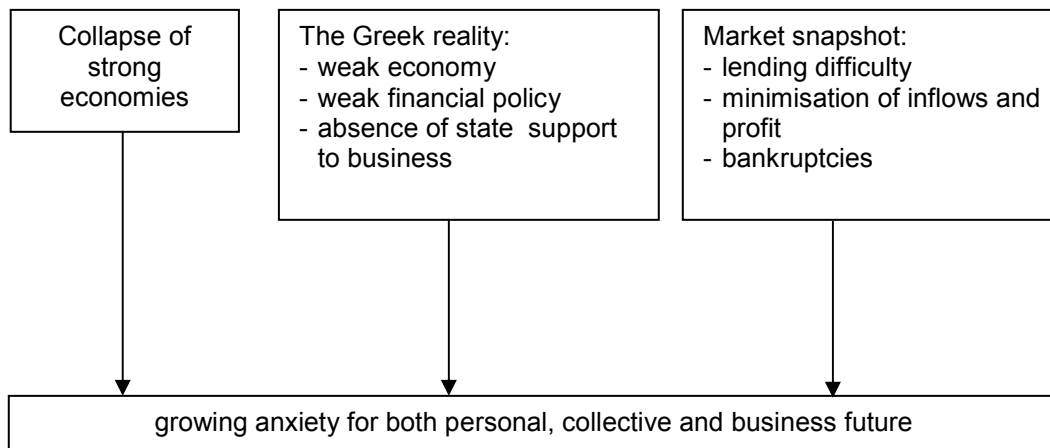
During the last months, it has been widely acknowledged that global economy has entered a crisis phase, affecting the core of its structure and most of its operations. Furthermore, national economies are being gradually affected as well, with already notable implications in certain developed countries, which are cordial supporters of the globalisation concept.

The crisis' consequences have been revealed in two discrete levels; firstly, the private sector is influenced intensely (financial institutions in particular, such as banks and investment funds), as well as every privately run business activity that is supported by such funds. Demonstrative examples to this include the successive bankruptcies of US funding institutions and banks, the announced large scale deficits by European banking groups, the recession in car manufacturing industry of Europe and Japan, and the turnover fall in shipping, industry and commerce. Furthermore, the crisis has also affected state structures and the greater public sector, with the gradual devaluation of Iceland's currency and the final collapse of the Icelandic national economy, being the most profound incident. Side effects include the accession of national debts, the increase of taxation, the destabilisation of economic structures, as well as the imperative demand for support of private funds via bonds, securities and state loans. The latter actions surcharge national budgets and degrade the power of national economies.

First signs of the global crisis are becoming obvious in the Greek market, which, even though more protected than other European economies, foresees a difficult and unfruitful period ahead. This view is supported by phenomena such as the oversized amount of loans, the inability for debt settlements, the market's liquidity deficit, the decrease of sales and profits, or the suspension of companies listed at the Athens stock exchanges. At the same time, the crisis challenges social structures through the increase of unemployment, the reduction of salaries' purchasing power, and conclusively the degradation of the citizens' life quality. The Greek banking system is heavily affected by the global crisis, confronted with significant amounts of insecure loans as well. The expansion of Greek banks' networks in south-eastern European countries proves now to be a burden, even though their original decision was considered an optimal investment when it initiated a decade ago. The current picture of these economies still shows a developing status, being more vulnerable to a worldwide crisis.

All the above facts, along with the manner in which they are handled in terms of communication and publicity, have a significant impact on the psychological aspect of the average citizen, businessperson or consumer. Simple questions spontaneously arise, i.e.: "since the Icelandic economy has collapsed, why wouldn't the Greek economy follow?" or "since stronger enterprises close, why wouldn't mine go

bankrupt?”. These questions reproduce and magnify themselves within the market, forming a generalised atmosphere of pessimism, regardless of the actual dimensions of the financial crisis. The creditability of the Euro stability is questioned, since the single currency in the Euro zone does not allow devaluation remedies, which have been successful in the past and comprise a *deus ex machine* for non-Euro countries. The following figure attempts to depict the effect of the crisis on the psychological status of the average citizen, which results to a now commonly discussed anxiety. This unease at personal level gradually expands to collective, consumer and business stage.



This developing anxiety activates survival instincts within the market; every businessperson attempts to shrink activities. Payments, originating either from public or private customers, undergo an intense reliance crisis. Instinctive remedies include a variety of actions: Retrenchments in operations or personnel are of imminent priority. Reduction of investments in equipment, improvement and promotion follows, as well as constraints on marketing and expansion. These actions, even if they often prove effective in the short term, yield an important business drawback. The enterprise shall enter the post-crisis market with limited services and personnel, same equipment, same customers, same geographical coverage, and parallel to that a possible lack of liquidity. Still, these reactions are a normal consequence of the market anxiety and an instinctive confrontation of the current fiscal difficulties.

The actual truth though yields that, in front of a large scale financial crisis, fear can lead as to wrong decisions. Enterprises with yearlong presence and significant experience have proved that a small investment in times of crises can ensure large profits in a new future market. This view can be translated in a sum of actions, such as, for instance, business missions to foreign countries and potential new markets, contacts with prospective clients, purchase of new equipment or design of new products. Safe and precautionary steps ahead on vulnerable economic grounds are a rational action, still more rational than a passive inactivity and lack of reaction to facts. Every enterprise owes responsibility for its personnel, customers and suppliers, which shall not be renounced thoughtlessly for the enterprise’s own interest. All



these people are its own moving force to overcome current obstacles and to navigate in future markets.

The sustainable solution to the current crisis incorporates the interdependence of two actions: financial reorganisation and rationalism, combined with extraversion and inspiration. The rational management of funds and human resources provides for breakouts and lays the foundations for long-term perspectives. At the same time, a strict fiscal management and conscious awareness of the company's capabilities and limitations contribute to pragmatic actions. Loans are a short-term solution and state support has proven so far inadequate. Still though, survival instincts, vision and a cautious perception of market vibes, are all capable of concluding to a healthy and sustainable business development.

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