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Exploration of Firms' Survival Strategies Amidst Economic Recession in Nigeria

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ABSTRACT
This paper examined the implications of the current economic recession on firms' performance in Nigeria and explored the possible strategies that could be adopted by the firms to cope with the economic challenges in the country. Qualitative and exploratory methods were adopted for this study. The main source of data was through secondary sources which include the review of various government publications, previous studies and online resources. The strategies proposed in this study were investment and Ambidextrous' strategies. It was concluded that for a firm to remain alive in the midst of this economic challenges, a combination of these strategies would not only be ideally but necessary.
Keywords: Ambidextrous' strategies, Economic recession, survival, structural stability, Nigeria

1. INTRODUCTION

> *"It is not the strongest of the species that survive, nor the most intelligent, but the one that is most responsive to change."* Charles Darwin (in O'Reilly & Tushman, 2008:186)

Every business responds to the change in the economy within which it operates and this gives rise to what is termed business cycle (or economic cycle). The business cycle is the upward and downward movements of levels of gross domestic product (GDP), and refers to the period of expansions and contractions in the level of economic activities (business fluctuations) around its long-term growth trend. These fluctuations involve shifts over time between periods of relatively rapid economic growth (boom), and periods of relative stagnation or decline (a contraction or recession).

Recession is a business cycle contraction, and it refers to a general slowdown in economic activity for two consecutive quarters. During recession, there is usually a decline in certain macroeconomic indicators such as GDP, employment, investment spending, capacity utilization, household income, business income, and inflation, with the attendant increase in the rate of unemployment. Technically, when an economy recorded two consecutive quarters of negative growth in real GDP, it can be said to be in recession. GDP is the market value of all legitimately recognized final goods and services produced in the country in a given period of time, usually one year.

Determinants of firm performance are under consideration of investigation since the evolution of modern firm. From financial point of view the ultimate goal of a firm is to maximize the stockholders' wealth and firm performance is one of the most important factors which helps to maximize the shareholder wealth. For this reason, firm performance is among the most important research considerations of financial management. Factors those have important effects on determination of firm performance could be divided into micro and macro factors. Micro factors include the internal factors, whereas macro factors include the factors from external environment. Any change in the macro factors in the economy affects the firms which could be seen in the performance of the firm as well. These affects could be positive or negative depending on the change in the macro environment and structure of the firm (Wei & Zhang, 2008).however, individual firms responds differently to the change in the economy. The most important thing is for the firm to develop suck –absorber that will enable it remain in economy irrespectively of the economic change. Thus, this paper examined the current economic recession in Nigeria, the firms' performance during this period and explored the various strategies that could be adopted by the firms to whether the storm of this economic crisis. The rest of the paper is organized as follows: Section 2 presents the methodology, Section 3 reviews the relevant literature, Section 4 gives the concluding remarks of the paper and finally Section 6 briefly describes the limitation of the study and recommendations for future studies.

2.0 REVIEW OF RELEVANT LITERATURE

2.1 Economic Recession

Since the 1970s, it has been generally accepted that a recession is a period of two quarters of negative GDP growth (Wesselink et al., 2007). Under this definition, Ireland was announced to be in recession in June 2008 following a contraction of 0.3% in the first quarter of 2008, and a 0.5% contraction in the second; and the UK was declared to be in recession in January 2009. The idea behind two consecutive quarters is supposed to ensure that statistical aberrations or one-time events cannot create a recession; for a recession to occur, the real economy (production and consumption of goods and services) must decline. However, this definition is becoming increasingly unpopular due to several identified issues. *The Economist* recently published an article advocating the need to fundamentally redefine the term 'recession.' In fact, the definition of two negative quarters came about only as a result of a 1974 article written by Julius Shiskin, in which he included a list of factors for spotting a recession. For some reason, the particular idea of two negative quarters of GDP growth was seized upon and became the standard norm, but it is simply too narrow a rule.

Firstly, the definition of recession used above fails to take account of factors *other* than GDP. It has long been recognised that GDP is a somewhat crude measure of economic well-being or social welfare, and its exclusion of various factors which impact aggregate economic activity is well documented (Harding and Pagan, 1999). Such factors include employment, distribution of income, non-market goods etc. It is argued their inclusion is unnecessary as they will conform to trend over time; however, the speed of events during the financial crisis of 2008 would surely argue against the wisdom of such an assumption. 'Whilst the additional measures may be expected to show similar patterns to output over the long term, in particular macroeconomic episodes their time paths over the short term can be sufficiently different from measured GDP as to be of material importance to the task of properly and precisely dating the peaks and troughs in the business cycle' (Layton and Banerji, 2003: 1790).

Furthermore, the accepted definition would have failed to recognise the 2001 recession in America, as it never had two consecutive quarters of declining GDP, though it was preceded by two quarters of alternating decline and weak growth (revised figures later revealed *three* consecutive quarters of negative GDP). This is also true of the severe recession experienced in Japan during the 1970s. Thus, the definition of two consecutive quarters of falling GDP seems absurd. In a very practical application, if country A grows by 3% in one quarter but then declines by 0.25% in the two following quarters, it is deemed to be in recession. But if country B contracts by 2%, grows by 0.5%, then contracts again by 2%, it essentially escapes a recession, despite the fact that B's economy is fundamentally weaker. 'To use such a rule blindly to conclude that such a country was not in recession would be not only patently silly but also quite dangerous…if it meant that much needed policy changes were postponed for many months or not even implemented at all' (Layton and Banerji, 2003). Problems with the GDP measurement were highlighted in the case of the US last year. Despite an unemployment rate that was rising since 2007 and other economic indicators of recession (such as a stagnant GDP per head growth), the second quarter of 2008 actually saw the US's GDP grow at an annualised rate of 3.3%. But GDP far from represents an economic certainty. 'The first observation for a given month or quarter is almost never the final word on what happened' (McKelvey, 2008:2). Later revisions mean pluses can easily become minuses, and vice versa. GDP is argued to be valuable in defining recession as it is a coincident indicator, but the fact the GDP data is subject to constant revisions argues against this, and offers the risk of policymakers having more faith in the economy than they rightly should.

2.2 Alternative Options to Debate on Recession

The Business Cycle Dating Committee at the National Bureau of Economic Research (NBER) (2003) provides a different method. They look at the level of business activity in the economy, taking into account factors such as employment, industrial production etc. The NBER defines a recession more broadly as 'a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP growth, real personal income, employment, industrial production, and wholesale-retail sales' (NBER, 2003:1). The use of this broader definition means a variety of factors are considered to enable an insight into the economic health of a nation. It also means it is possible to examine the 'depth' of a recession – for example, the 2001 recession was considered 'shallow'. A further benefit is that they also make use of figures which are much less likely to be revised at later dates (The Economist, 2008a).

A typical business cycle, as demonstrated in Figure 1 has a period of booms (prosperity), followed by a period of recession, slump and recovery. During the boom period, there is minimal unemployment; high production and consumption; high standard of living; high inflation; and so on. It is a period when most macroeconomic indicators are positive. In a recession period, economic activities slowed considerably.

When economic activities reach the lower part of the chart (Figure 1), it is said to be in a slump (depression); a prolonged recession. Most macroeconomic indicators remained negative for a long time, usually more than two years. Subsequently, the cycle enters a recovery period. This is as a result of the impact

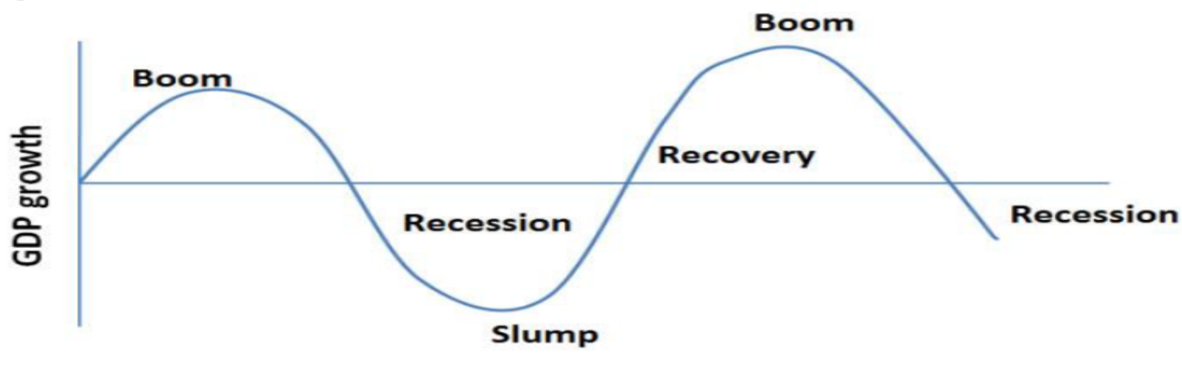

Figure 1: Graphical Example of Business cycle

Source: CBN (2012)

2.22 The Causes of Recession

Recession can be caused by two broad factors: internal (endogenous) and external (exogenous). The former is usually as a result of conflict of ideas, misapplication of economic theory and regulatory negligence or policy inconsistency. The Asian financial crisis of 1997-1998 was caused partly by internal factors; banks were lending abroad in pursuit of high profit margin, due largely to slow downs at home, desire to pursue development without due consideration of economic fundamentals, corruption, and structural and policy distortions (Wong, 1999). Other factors were the overheating of private sector and

excessive investments in real-estate with non-commensurate returns. In the same vein, the global financial crisis of 2007 and the ongoing recession was triggered by the United States housing bubble; excessive lending of banks into high-risk subprime and adjustable rate mortgages resulted in high default rates as well as downfall of banking sector. Defaults and losses on other categories of loans also rose considerably as the crisis expanded from the housing market to other sectors of the economy. Bankruptcy of several high rated investment banks started to panic on the inter-bank loan and stock markets and eventually, the bubble busted. This resulted in the fall of global GDP, rising unemployment and economic difficulties in many parts of the world (Kamar, 2012).
The external causes of recession have to do with factors that are exogenous to the economy over which policy makers have little or no control. Factors like natural disaster, climate change, revolution and wars. An agricultural economy could face crop failure resulting in general economic slowdown. Also, a monoeconomy could suffer recession from international price shock for its product. The neoclassical economists are of the view that state interference in the market, labour union, monopolies and technological shocks are external causes of recession.

2.2.3 Possible Effect of Economic Recession

Business

When household incomes are cut as a result of economic slowdown, they reduce their demand for goods and services. As a result of low demand from households, firms reduce their production of such goods and services in order to cut cost and profit will decline. As a consequence of production fall, workers would be laid off, there will be no buying of new equipment, no funding for research and development, no new product rollouts and general business activities would also fall.

Falling Stocks and Dwindling Dividends of Firms

Stocks prices mirror the performance of a firm because they move proportionately to the returns earned. As revenues decline on the statutory reports of businesses, lower dividends are declared. This will depress the price of stocks in the market. When dividends fall or vanish, it creates other problems such as the sacking of the board of directors and senior management of the company. The advertising/marketing unit may be affected, creating unemployment problem for the economy. When the manufacturer's stock falls and the dividends decline or stop, institutional investors, holding the stock may sell and reinvest the proceeds into better

Product Quality Compromise

Recession affects the revenue of firms, and by extension, profitability. In an effort to cut costs and improve its bottom line, the company could compromise product quality, and in the process lose its market share. A baker could offer the same loaf of bread at the same price but reduce major ingredients such as milk, butter, etc. so as to cut cost and improve bottom line during recession. Recession could force airlines to lower their maintenance standards in order to cut cost and break even. They may cut flight to routes that are not profitable and frequently cancel flights when there are insufficient passengers for a particular flight. This could cause some inconveniences to passengers, leading to economic loss.

2.3 Theoretical Background

There is currently no unified or broadly accepted theory of ‘management during recession’. Instead, the limited number of studies that touch upon such conditions tend to apply a broad range of theories and focus on specific areas of strategy (e.g., Greer, Ireland, & Wingender, 2001; Wan & Yiu, 2009). While holistic recessioncentric approaches are yet to gain major traction in the scholarly community, the framework developed by Latham and Braun (2011) provides a promising step forward and a suitable lens for the main areas of inquiry in this paper. Latham and Braun (2011) propose that firm level initial conditions (e.g., resources and capabilities) and their within recession performance (performance during a recession) significantly influence strategic decisions during recessions (within recession strategy). Subsequently, a firm’s performance after a recession (post-recession performance) is significantly influenced by the firm's within recession strategy and initial conditions. Arising from this perspective, the following theories

2.3.1 The Behavioral Theory of the Firm

The behavioral theory of the firm (BTOF) (Greve, 2008; Vissa et al., 2010) is perhaps the most commonly utilized theory to examine organizational adaptation over the short term. BTOF argues that organizations are fundamentally averse to change and uncertainty; therefore, they undertake major changes only if required by significant and imminent reasons. According to this theory, organizations adapt to environmental changes incrementally based on short-term feedback, and address issues sequentially according to an order of priority.

According to BTOF, an organization compares its realized performance to its aspirational performance. An organization can possess aspiration levels for areas including profitability, sales, market share, or production. Aspiration levels are a function of previous performance and goals as well as the performance of comparable organizations (Cyert & March, 1963: 162). Underachievement with respect to an aspiration level (or an immediate expectation of it) can trigger problemistic search, the motivated search to identify (and take) actions to reach the aspiration level of performance.

Problemistic search gradually expands from a simple model of causality in which solutions are sought from areas that are within close proximity of the symptoms. If no solution is found, then problemistic search proceeds to more distant areas with higher levels of complexity and areas in which the organization has slack. The search process ends when the firm reaches its aspiration level of performance or when it revises its aspiration level to match current performance. Organizational adaptation can also be driven by more than one aspiration level in the same area of interest. For example, a modest decline in profits below target can be remedied through additional risk-taking. However, if profits fall to level that threatens organizational survival, the dangers of risk-taking increasingly influence decision-making (Audia & Greve, 2006). BTOF assumes that problemistic search is biased by the manner in which an organization views the environment and processes information about it (Cyert & March, 1963: 162-171). Similarly, it can be expected that biases are introduced when organizations form their aspiration levels through social comparison (Festinger, 1954). However, BTOF acknowledges these biases to exist, it does little to elaborate how they are formed.

2.3.2 Attention-Based View

According to the theory, firm behavior is a result of how firms channel and distribute the attention of their decision makers. Therefore, small differences in how organizations focus their limited attention can result in inertia, inappropriate change, or successful adaptation. (Ocasio, 1997)

According to Ocasio (1997), the cultural and cognitive schemas that are available to decision-makers determine which environmental stimuli the firm attends to (issues) and which responses are applicable to them (answers) (Cohen, March, & Olsen, 1972). ABV highlights that attention is situated, which refers to the importance of the situation in which decision-makers find themselves, rather than the characteristics of the individuals themselves. Furthermore, attention is distributed within the organization, that is, the foci of attention vary throughout the organization. The central constructs of the ABV include the *attention structures* that shape the time, effort and attention focus of organizational decision-makers and determine how the firm legitimates and valuates issues and answers (March and Olsen, 1976; Ocasio, 1997). Attention structures relate closely to *procedural and communications channels*, which represent the situational contexts in which attention and action occur. They include formal and informal meetings, reports, and administrative protocols (Ocasio, 1997).

2.4 Economic Activities and Firm Performance amidst Economic Recession

According to Hanson and Wernerfelt (1989), there are two main areas of research on the determinants of firm performance and success namely, the external market environment and organizational factors. However, the performance of a company depends on many factors internal and external. External factors would include the market conditions of the country where the company is located, government policies and regulations and the country's current stage of economic development. Internal factors would include the products and services the company is offering, the financial strength of the company as well as the quality of its management team. During normal times, however, poor financial performances are more likely to be caused by falling profits or losses for several years in succession, excessive debts, insufficient working capital, managerial errors and misjudgements, though management frauds have surfaced now and then and recently involving large multinationals.

An economic downturn like the 1997-98 Asian financial crises resulted in dampened business confidence, poorer company financial performance and increased company bankruptcies. In a study by Cirmizi, Klapper and Uttamchandani (2012), the 2007/2008 financial crisis affected companies around the world resulting in reduced demand for goods and services, contraction in availability of business financing and a declining flow of inter-border investment funds.

There was an increase in the level of insolvency among business entities due to declining demand for goods and services and decreasing availability of external finance. Another study by Ernst & Young (2009) stated that due to the large numbers of collapses in the financial institutions around the world, there was a freeze of global credit markets that requires widespread government interventions. Shama (1978) found that consumers felt more insecure over their employment during economic slowdowns and their buying behavior changes with the changing economic conditions.

Companies that are affected more severely during economic crisis may be forced to liquidate and cease business, while others affected less severely may have to curtain their operations, retrenching some of their workers, asking employees to accept a smaller compensation package and finding ways and means to cut costs so as to remain competitive. The study by Koksal and Ozgul (2007), found that managers are asked to either delay or abandon investment projects during an economic downturn while the study by Ang, Leong and Kotler (2000) found that businesses will encounter cash flow issues as lending institutions and suppliers are reluctant to offer favorable financial terms and customers default on their outstanding credits or they simply buy and spend less. The resulting combinations of tight financing, reduced demand and fall in exports, reduced consumer spending and consumer sentiments will contribute to tight cash flows, declining cash positions, falling profitability and losses leading to potential insolvency and bankruptcy.

During a period of economic downturn, the intensity of competition will usually increase as firms seek to sustain revenue in the face of a decline in customer spending (Hall, 1980). The majority of firms tend to adopt the survival strategy of reducing internal operating costs and utilizing the savings achieved to offer lower prices. Although price cuts may assist a firm sustain an acceptable revenue flow during a recession, the strategy will usually be accompanied by a reduction in profits (Goodell & Martin, 1992). Similar outcomes have been reported for service sector firms in the United States (Burgers 2009). Furthermore, those firms which entered the recession with limited financial reserves, servicing high debt levels or unable to attract new investors, face the risk that declining profits may ultimately lead to bankruptcy.

2.5 METHODOLOGY

The methodology adopted in this study was that of a qualitative and exploratory nature. It represents an approach deemed appropriates by Goffee (1996) and supported by Buick, Halcro and Lynch (2000). This is on the basis that it facilitates deeper analysis of more submerged issues of this study. It was based on the keen perusal of the various publications of government, Central Bank of Nigeria and other related publication. Various literatures on the subject matter were reviewed and internet sources were equally assessed with a viewing to identifying the possible strategies that could be adopted by the firms Nigeria to wheather the storm of the current economic challenge in Nigeria.

2.6.1 Business strategies amidst Economic Recession

Recessions present businesses with a dilemma: whether to cut costs to conserve resources, or to invest in new products and processes to exploit competitor weakness. In general terms, the literature identifies three broad categories of strategy in recession conditions: retrenchment, investment, and ‘ambidextrous’ strategies. Although, Business performance is highly variable under recession conditions, and no particular strategy can guarantee survival and success. Much depends on contingent factors, for example, business resources and relations with other stakeholder groups – partners, competitors, customers, suppliers, government and others.

Retrenchment strategies

This involves cutting operating costs and divestment of non-core assets. These appear to be the most common approaches adopted by businesses to deal with recession conditions, especially in the short-term. Analysts report divestment of businesses, closure of establishments, reductions in employment, expenditure cuts on a wide range of activities including R&D, marketing and employee training.

Investment strategies

This involves expenditure on innovation and market diversification. Recession is regarded as an opportunity to implement strategic change that would otherwise not have occurred. Many of today's household names launched successful businesses during recessions. The evidence on businesses adopting investment strategies to manage through recession, however, is patchy. Such strategies are risky and many firms are likely to be too preoccupied with short-term survival to think about innovation and growth, or lack the resources to implement such strategies effectively.

Ambidextrous' strategies

This combines retrenchment and investment. It is likely that most firms adapt under recession conditions through judicious cost/asset cutting behaviour *and* through investment in product innovation and market development. Choosing the appropriate investments to make and costs to cut takes on additional importance during recession when market selection pressures are at their most severe.

From terminology perspective, Sara and Seyed (2010) assert that the word "ambidextrous" has been meant as being able to use both hands equally at the same time (Cambridge online dictionary). In business world, the term was first introduced in the literature by Duncan (1976).

As the economic uncertainties highly increase during recent years, the issue of adaptabilities which focus on "ability to move quickly towards new opportunities and adjust volatile markets" gets crucial. However successful companies should not just go for new opportunities but also should have the "ability to exploit the value of the proprietary assets and roll out existing business models quickly"; this ability makes the meaning of alignment significant (Birkinshaw & Gibson, 2004:47). In other words, companies should not just aim for exploring the future, discontinuous innovation, targeting for new customers or even revolutionary change but also have to, at the same time, focus on existing customers, incremental innovations and evolutionary change.

Ambidexterity is the ability to be master in the sides, adaptabilities and alignment (Birkinshaw & Gibson, 2004:47). As a result, companies should balance between exploration and exploitation because achieving sustainable competitive advantage occurs through ambidextrous organizations.

The research on the concept of ambidexterity dates back to 1976 (Sara and Seyed, 2010), when Duncan, who first brought the word ambidexterity into business literature, took a structural perspective on the concept. He suggested a dual organizational structure for the firms that want to follow two different approaches towards innovation; one is to start or develop innovative activities; i.e. exploring innovation and the other is to implement or deploy innovative activities; i.e. exploiting innovation. He interpreted ambidexterity as a sequential concept through which organizations focus on either exploration or exploitation at a time but in a long-term they follow both approaches.

Birkinshaw and Gibson (2004), on the other hand, define ambidexterity as the ability of the company to pursue both long-term development of products, markets, and technologies; called adaptability, and short-term profitability and coordination; called alignment. They go beyond the structural perspective and describe two kinds of ambidexterity including contextual and architectural ambidexterity as a result of their comprehensive survey in 10 multinational companies. They have also described the concept in an individual level distinguishing four characteristics of ambidextrous individuals. They believe that in order for employees to behave ambidextrously, the organizational context should be managed and prepared by top managers. In this regard, they distinguish four types of organizational context in terms of two dimensions of performance management and social support. Their study shows that an ambidextrous context is enhanced when both abovementioned dimensions are in a high level. Finally, they offer some recommendations for high-level mangers how to make their organizations ambidextrous.

One of the related concepts to ambidexterity according to Sara and Seyed, (2010) is exploration and exploitation. Lots of researches have been done in this field because surviving in changing environments need adaptation which requires both exploration and exploitation (March, 1991). According to March (1991), exploration is more about activities such as innovation, discovering new opportunities, variation and etc however exploitation includes production, efficiency, implementation and execution. For the firms it is crucial to consider the both sides; the exploring new possibilities, knowledge and technologies on the one side and on the other side exploiting the current and existing sources and knowledge (Soosay & Hyland, 2008).

Consciously, regarding resources allocation, assigning more resources to exploration activities reduce the speed of improving exploitation activities, because it can bring high costs for the firms without realizing any benefits. In other words, focusing too much on exploration drives out efficiencies and will not let company learn by doing and gaining economies of scale (He & Wong, 2004). However, focusing more in existing procedures drives inertia and makes the companies less aware of targeting for new possibilities and trapped them in routines (March, 1991). The possibilities to trap in routine for companies is quite high especially those that more focus on exploitative activities because exploitative activities give them the certain experience that is more desirable

Literatures highlight some consequences of achieving ambidexterity over the organizations. For instance, ambidexterity results in the better organizational performance (Gibson & Birkinshaw, 2004; Smith & Tushman, 2005), long term success (Raisch, et al., 2009) and sustainable competitive advantage (O'Reilly & Tushman, 2008). On the other hand, a few literatures have pointed out some negative consequences of ambidexterity. Gibson & Birkinshaw (2004), in a few words, point out the cost of achieving ambidexterity for an organization. They do not open the details and just insist that the benefit and advantages gained from ambidexterity are much higher than the cost of establishing an ambidextrous system, processes, and context for an organization.

The ability of an organization to persuade both alignment and adaptability or, in other words, both exploitative and exploratory actions at the same time and without making a trade-off between these seemingly paradoxical work areas gives the organization a sustainable competitive advantage and long-term performance. In other words, ambidexterity makes a firm to gain both short-term success and long-term survival especially in turbulent business environments.

2.6.2 Competitive Strategy in Economic Recession

Porter's Generic Competitive Strategies

According to Porter (1985), there are three types of competitive strategies: low cost, differentiation, and focus. In low cost strategy, a firm sets out to become the low cost player in its industry. Low cost strategy can be achieved by pursuing economies of scale, proprietary technology, preferential accessing to raw materials and other factors. In a differentiation strategy a firm seeks to be unique in its industry whether in its products or services, or in the way it operates. By pursuing differentiation strategy, firms are often able to set premium price for their unique products or services. The focus strategy is the choice of a narrow competitive scope within an industry. The focus strategy has two variants such as (a) cost focus: a firm seeks a cost advantage in its target segment; and (b) differentiation focus: a firm seeks differentiation in its target segment. (Porter, 1985).

Retailer's Competitive Strategy in Recession Economy

Shama (1981) points out that in recession time consumers spend more time on comparative shopping, and look for cheaper products. Recession calls for managers to use strategies to stimulate consumer demand. Such strategies often require a redefinition of the target customers and strategies. They may include narrowing the product line, offering cheaper products and quantity discounts, lowering prices, increasing promotion, and offering products directly to consumers. In addition, companies tend to eliminate unprofitable intermediaries in the distribution channel members and reallocation of scarce company resources to the better-performing channel members in economic down turn. However, since decisions of this kind often demand long-term commitments, they should be taken carefully (Kotler and Amstrong, 2006).

Ang et al. (2000) suggest that lower operating costs and improving cooperate within the channel, can clearly affect company performance positively. In the same vein, they maintain that under economic hardship firms may offer cheaper and more functional products with narrower lines.

However, some customers are impacted by recessions to a lesser degree than are others, so price cuts are not always necessary to stimulate demand. Instead, a differentiated pricing implemented through focus discounting programs may enable marketers to maintain market share without completely sacrificing profit margins.

Price may be weighed against quality thus, stressing on differentiated value are likely to be more effective than low price per se. In order to be differentiated with their competitors in recession economies, Goerne (1991) reports that marketing managers have been using significantly more coupons in the promotion mix. Roberts (2003) proposes that those businesses that increased marketing spending were not significantly less profitable during recession. Therefore, companies should differentiate with their competitors not only in product design but also in their investment on marketing budgets for the long term and be able to maintain spending in the short term, in order to survive during the hard times and be profitable in the future.

CONCLUSION

The current recession may well constitute a 'structural break' or 'phase shift' in the economy, in which the previously held assumptions about how it functions and economic models are open to question. The outcome of the current recession may be a new economic order, the nature of which cannot be fully understood today. However, every problem opens door for new opportunities and development. Thus, economic change is a regular and transient phenomenon, but the ability to cope with its inherent challenge will deepen the survival and growth of firms.

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