

LESSONS IN ENTREPRENEURSHIP

Crisis? What crisis?

Stuart Read and Saras Sarasvathy discover how it's possible to make a profit in difficult times

It should come as no surprise that, in general, entrepreneurs are undaunted by the current financial crisis. The management of crisis is their day-to-day business – and not only a job description, but a source of new opportunities. So while pensioners watch their retirement account values plummet, entrepreneurs have an eye for where that money is going. Here are some of the things they see.

FLIGHT TO VALUE

An obvious implication of the financial crisis is that people have less money to spend. Which explains why hard discounters such as Wal-Mart are reporting increased sales in the face of the crisis. Products ranging from Hormel's Spam, which has seen a double digit sales increase, to used cars, which have experienced strong demand since the start of the crisis, illustrate the opportunity to serve the cost-conscious consumer.

FLIGHT TO QUALITY

A less obvious implication of the financial crisis is what is happening at the top of the market. Its start was marked by Damien Hirst's record-breaking auction through Sotheby's totalling more than £111m. Gold prices are soaring, as are sales at luxury goods group LVMH. Whether the rich are still rich, or those hurt in the crisis still want an occasional taste of the good life, the entrepreneur can see possibilities.



Sales of Spam have recently soared, as have those of luxury goods, such as Champagne

THE NEED FOR HOPE

An American study found that lottery sales are strongest in weak economic times. Finding ways to offer cash-strapped consumers some combination of inexpensive entertainment and a chance to invert their financial misfortune can translate into new product offerings and business models.

THE NEED TO CONNECT

Before September 2008, the social networking site LinkedIn added about a million new users every 20 days. Since the start of the crisis, the growth rate has jumped nearly 50 per cent to 1 million new users every two weeks. In a time of crisis, people need jobs. They need support. They need to connect. This phenomenon is as true at home as it is professionally. Sales of sex toys and pregnancy tests are also increasing in the wake of the financial downturn.

Whether the rich are still rich, or victims of the crisis still want a taste of the good life, the entrepreneur can see possibilities



THE ULTIMATE RESOURCE

Creation of new value and transformation of hope into reality are both the result of putting the ultimate resource – human ingenuity – to work in tackling tough problems. Thanks to the financial crisis, a lot of good people are out of work and entrepreneurs need not scrounge for talent the way they have to during boom times. They need to make it easy for proactive people to find them and inspire those who show up to believe in their own ingenuity. Entrepreneurs know that the future lies in what people do, irrespective of external forces that may momentarily appear out of their control.

MAKING THE FUTURE

If this still doesn't make you want to go out and start a company, consider that in 1975, a year of recession, inflation and 9 per cent unemployment, Microsoft was founded. In July of that year, *Time* ran a cover story entitled, 'Can Capitalism Survive?' What we know about entrepreneurship would suggest a different question, namely, 'Can economic crises survive?' The answer in 1975, was 'No!' And this was due not to billions of dollars poured into big banks, but to entrepreneurs who constructed new opportunities, new ventures and new markets that generated unprecedented economic growth in spite of, or perhaps because of, a crisis. ●

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