

# Is it a Good Time to Invest?

## White paper

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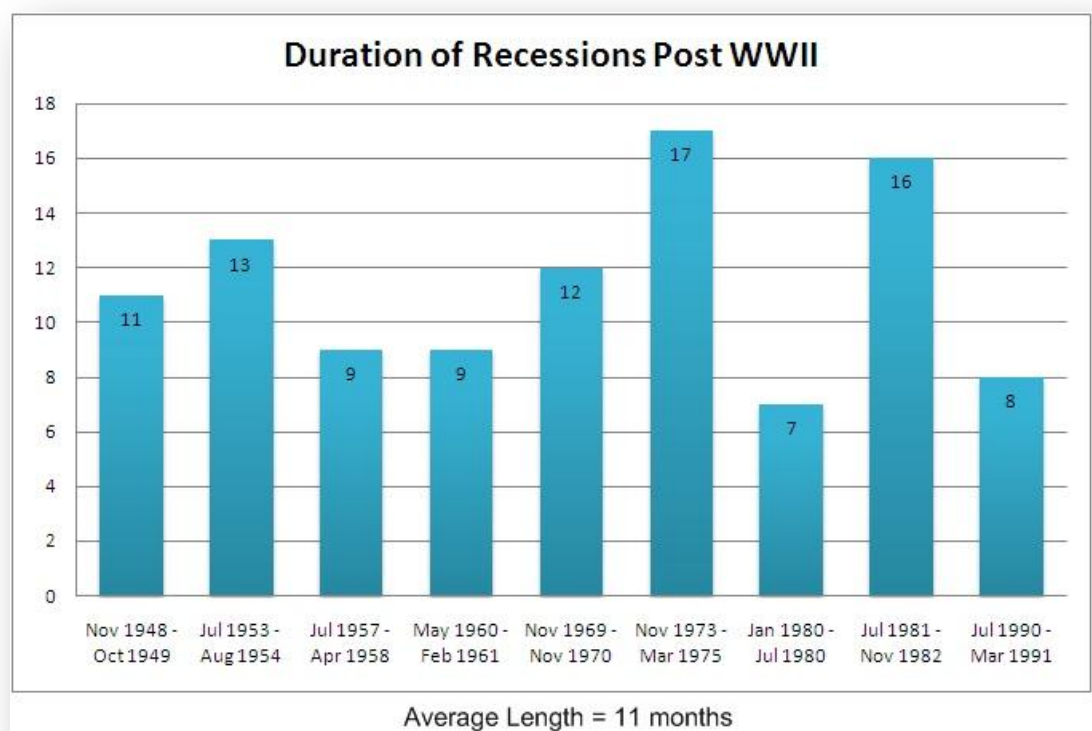
After an extended period of prosperity characterized by easy access to financial resources, it is clear that America - along with rest of the world- has entered a serious economic crisis.

To prepare for this challenge, you may want to take a closer look at the past. You may be surprised by the lessons you can learn from history; particularly when wrestling with the sticky question: Is now a good time to invest? If not, why not?

### What Does History Tell Us?

At first glance, a period of recession seems to be one of the worst times to make investment decisions. Faced with the uncertainty of the economy, reduced demand, widespread bankruptcies, and massive lay-offs, most managers would rather put off making a decision to invest. This is understandable, since many times the return on investment appears to be uncertain or too remote in the future. However, in spite of the drama of the situation, the current recession is not the first of its kind, and it will not be the last.

The first conclusion you may draw from the past is that the crisis is a temporary state of the economy. History shows that post-World War II recessions have lasted an average of eleven months.



Once you remember that the recession will eventually let-up, you should ask yourself some questions: What is the best strategy for my company during an economic downturn? What do I want my company to look like when the recession is over and my customers start buying again? Once the recession is over, will I feel good about the tactics my company implemented? Will these tactics have contributed to the long-term growth of my company?

One thing is certain - the market can really be turned topsy-turvy during a recession. Companies who were market leaders during the economic boom may end

up losing their market share and being surpassed by those who used the period of crisis to increase the efficiency of their operations.

This is why the most influential managers have historically treated the recession as a unique time, which, if used wisely, may ensure a gold medal in the race for competitive advantage.

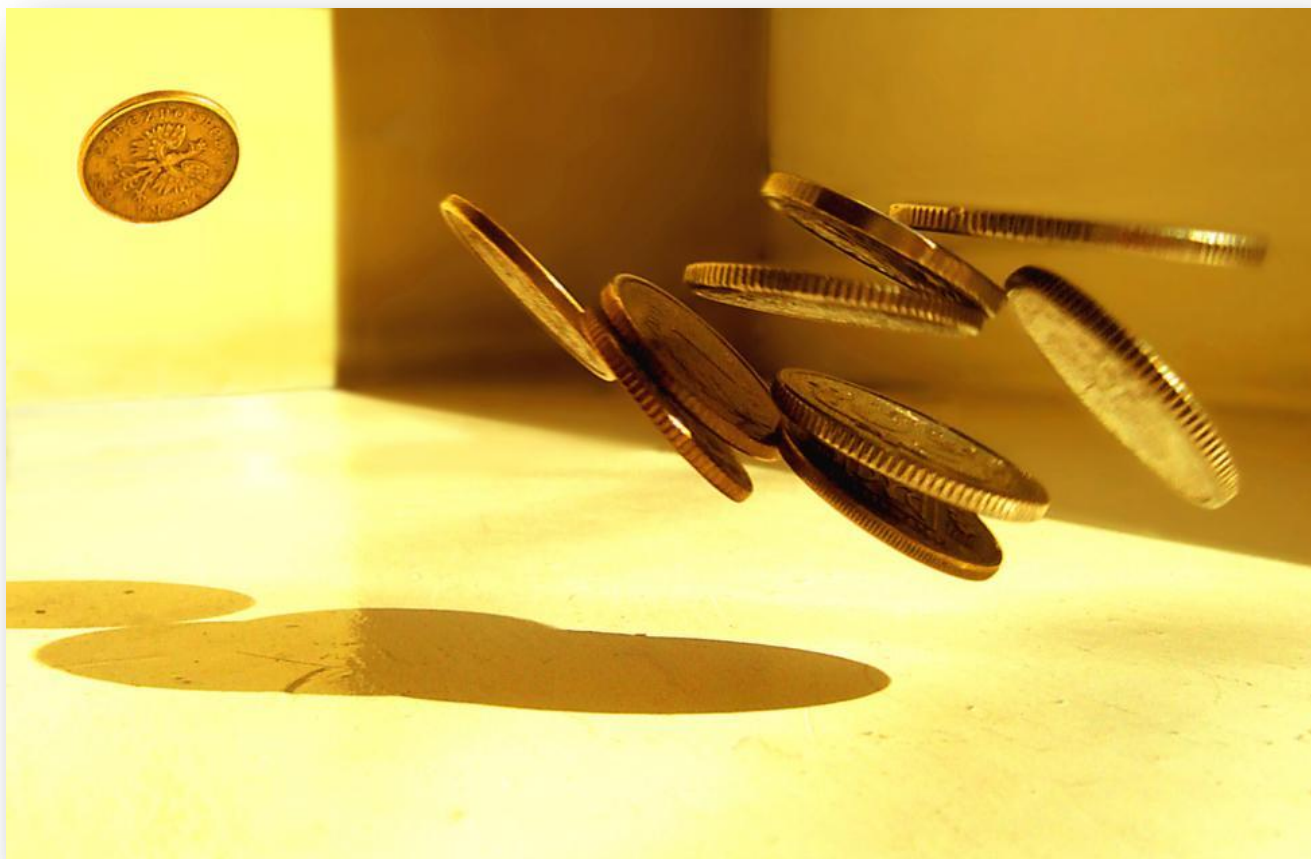
## Is There A Good Time For Change?

The only thing as certain as death and taxes is change. A smart corporate strategist manages change effectively by finding the most appropriate moment to implement changes. Though it may sound strange and a little scary, one of those moments is during an economic downturn.

In times of crisis, many companies will restructure. Very often, this means personnel changes in the form of lay-offs combined with the redefinition of roles and

responsibilities. Managers will ask themselves questions such as: Joe may have many years of experience and may be very competent, but if he is unable to find customers, would he be better-off with another company? Maybe my employees who are responsible only for managing vendor relations can also support the company's product sales- which would help me to cut down on one or two positions? Should my marketing department grab the phones and start looking for new leads instead of placing costly advertising? Most companies will follow this course of action. Should you do the same?

At first glance, yes, because reducing your costs while revenue is decreasing is the only way to maintain profit at a steady level. However, simply cutting staff is not the only way to cut costs and you may just end up having to invest more in personnel once the recession is over. Also, this tactic will not contribute to the long-term development of your enterprise. The alternative is wise investment of your surplus resources (especially human) into your company's development:



- Revise procedures applied so far
- Implement new, more efficient procedures based on best practices
- Analyze and eliminate bottlenecks
- Streamline key business processes

These steps make sense during a recession because you now have something you didn't have during times of prosperity: precious time. Since your staff will be spending less time scrambling to fill all the orders from your customers, they can devote more time to the operations aimed at increasing efficiency. These operations will prepare your company for the economic rebound, and give you a real advantage over your competition.

## Where To Invest?

Primarily, you need to implement new procedures and introduce organizational changes that will increase the efficiency of your company, streamline your business processes, and reduce unnecessary costs.

Research conducted by the London School of Economics indicates that introducing organization changes in conjuncture with implementing a new IT system increases an enterprise's efficiency by more than 20%, while simply making organizational changes will bring an improvement of only 8%.

Consider boosting your business improvements with tools such as modern systems to help you manage your company. Remember, that their main task is not

only to automate data entry but to deliver real-time information about the activity of your company. These tools can help you monitor and analyze your profits, costs, and optimal inventory levels, so you can make the right decisions concerning your company's future.

During the recession in 1990, Wal-Mart outstripped their biggest competitor, Sears and Gillette triumphed over Colgate-Palmolive. During the Great Depression, Kellogg's prevailed over their biggest competitor, Post. In each case, the victor during the recession followed a strategy of smart investing as opposed to their competitor's cost-cutting strategy. You want to seize this opportunity during the slowdown to use your extra resources to streamline your business, so that you too may be victorious over your competitors.

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