



PRESS RELEASE

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Recession ahead? Great - bring it on!

As stock markets fall and leading economies contract, we must all brace ourselves for another recession. But is a recession necessarily a bad thing for all companies?

Research by the Federation of International Employers ([FedEE](#)) concerning the last recession indicates that it is often good news for healthy enterprises - and those in the least expected sectors that continue to thrive.

A recession means that companies as a whole are losing out, but it also creates an environment where well run and clearly targetted companies can take advantage of others' misfortunes. This was the case in the last recession between 2008 and 2012 - which was easily the worst downturn of the eleven that had occurred since the Second World War. It was also the most difficult for companies to bounce back from, partly because it forced operational changes that made millions of formerly valued skilled workers redundant for good.

There are always sectors that do worst in recessions - such as financial services, construction, tourism and realtors. But there are equally those that seem to suffer far less - such as food processors, budget retailing, gambling, education, health services and utilities. But in the last recession there were stand out companies that continued expanding strongly throughout the downturn, and these were often in sectors that should have made them particularly vulnerable. But why? And what can we learn from them?

Take, for instance, **Lego**. The toy industry is one that generally suffers greatly during a downturn. But in 2009 Lego's net profits soared by 63%. This was largely because although US sales dropped sharply it went aggressively for the Asian market.

An aggressive move into Asia was the case too for many German companies and the reason why, as economic activity lifted in 2012/13, German companies bounced back strongly. A further factor in many continental European companies' ability to cope with the downturn was the way their governments stepped in and offered assistance with temporary lay-offs to limit the redundancies that might otherwise be necessary for key staff. Big German companies in the auto sector like **VW** and **Daimler** fared best. **Daimler** sales in China rose 137% during 2009-10 and volume sales of buses to South America rose by 20%. But strong auto sales were not confined to



German companies as the biggest rebound in fortunes came with **Ford**, which began its renaissance back in 2006 and just kept growing as if the recession had never happened.

The other big winners were in the energy and pharmaceutical sectors. **Royal Dutch Shell** turning from No.3 gas and oil producer in the world in 2007 to No.1 in 2009. Much of this growth was on the back of a huge, risky investment in Qatar to produce cleaner burning fuel. Its rival **Exxon** too did well - with net earnings up 57% in 2010 from the previous year. Such growth was also largely due to a huge commitment to achieve improvements in vehicle emissions and general energy sustainability. Finally, and perhaps most significantly, came the Swiss pharmaceutical giant **Novartis**. Here the key was on innovation - focussing single-mindedly on new treatments for leading cancers and conditions such as MS.

The next recession is going to require fresh answers and a move into giant, unexploited markets may not be the solution it once was. There will always be the need to streamline organisations, but that is best achieved before a downturn, not within it. In fact, a downturn is the perfect time to mop up the talent shed by rivals and also to make acquisitions of companies that, in better times, would have gained the necessary venture capital investment to grow. The next recession is going to be about global expansion, but not into single large markets like China, but into countries such as Angola where past misrule is being rapidly rectified and also newly oil-rich states like Ghana. Government incentives to attract diaspora back to Portugal could also be a good reason to consider Lisbon as an alternative to Brexit-beset London.

The Federation of International Employers ([FedEE](#)) will be leading the way in showing companies how they can fight back, taking advantage of the weakness of others and moving against the tide. We constantly scan the World for clever ways to deflect potential downturns and turn problems into solutions. As Albert Einstein once said "Failure is success in progress".

Speaking at a breakfast briefing for HR professionals in London today **Robin Chater**, Secretary-General of the Federation of International Employers (FedEE) asked:

"What messages can Human Resource Managers take away from all this? It may seem that HR is barely the leading force in such drives against such huge economic forces. But that is not the case. In none of these examples of companies moving ahead in the face of recession did management decide to bring down the hatches, cut overheads and go for austerity. The mood was focussed and aggressive and the principal way that growth was achieved was by defining, developing and retaining talent. A move into the Asian market cannot be achieved without HR opening the way with key local hires. Greater environmental concerns means the replacement of old-style hammer and wrench skills with engineers able to understand meteorology, chemistry and factor analyses. It also means exploring new flexible working methods and streamlining the sources of services that feed into HR, such as the replacement of law firm retainers by signing up to legal compliance services such as those offered inexpensively by FedEE."



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What is FedEE?

The Federation of International Employers ([FedEE](#)) is the corporate membership organisation for multinational companies. It was founded with financial assistance from the European Commission. Today it is an independent body with members all around the globe.