

Enterprise Long-term Development and Survival in The Crisis

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Abstract: The paper encompasses an examination of the challenges that small and medium-sized enterprises may face during periods of economic depression, as well as the essential capabilities required for enterprises to sustain long-term competitiveness in such circumstances. By comparing the operational strategies employed by companies that successfully weathered economic crises with those that went bankrupt within the same industry and timeframe, this study identifies key factors contributing to enterprise resilience in times of crisis. These factors primarily include research and development efforts towards new product innovation, optimization of enterprise capital structure, and investment in human capital. Additionally, this paper analyzes the feasibility macroeconomic environments across different regions or countries, consumer demand patterns and confidence levels, as well as human capital availability and skill sets. In this way, smes in different countries can find their own solutions to cope with the crisis during the economic depression.

Keywords: Economic depression, Enterprise development, Macroeconomy.

1. Introduction

Through the case analysis of the companies that survived the economic crisis and depression in the past, the problems of operation, marketing and capital operation faced by them in the economic crisis and depression are summarized. At the same time, through the operation mode of the surviving and sustainable development of the company, the characteristics of these companies and their advantages including but not limited to economy, performance, scale, future development and other aspects are analyzed. This can provide ideas and relatively effective solutions to the current emerging enterprises and enterprises in the economic recovery period.

2. Main Body

The importance of business development strategy cannot be underestimated, it plays a key role in ensuring the long-term success and sustainable growth of the business, including direction and focus, market positioning, resource allocation, innovation and change. Enterprise development strategy is a key factor to ensure the survival and success of enterprises in a highly competitive business environment, it helps enterprises adapt to change, create value, and maintain competitive advantage in the long run. From this point of view, whether a company can develop in the long run depends largely on how the company responds to risks and crises, especially during economic downturns. During an economic downturn, businesses may face a number of serious problems that may have a significant impact on their operations and development, such as a shortage of capital, declining sales and demand, depreciating assets, and changes in government policies. In times of economic depression, enterprises need to take proactive measures, such as adjusting business strategies, looking for new market opportunities to develop new businesses and new products, cutting costs, optimizing the supply chain and strengthening the relationship with customers and partners to ensure steady development in the sluggish environment. In this context, studying the laws and

feasibility of the companies that survived the recession and their solutions, as well as whether there are differences between countries, can provide valuable help to the current emerging enterprises and enterprises in the economic recovery period. Including the system differences between countries, policy differences, social and cultural differences, so as to give enterprises a more comprehensive thinking and help.

Before this, some scholars have done corresponding research on the changes in economic depression and crisis. For example, when enterprises use mechanized production to reduce costs in response to economic depression: Economic depression is a unique internal law of the modern market economy characterized by large-scale machine production and the adjustment of supply and demand by the market mechanism. This paper explains the process of economic depression, that is, when economic development reaches a certain field with the maximum division of labor that can be caused by various technologies, social reproduction only shows quantitative expansion without bifurcation process. The output of mass machine production increases absolutely faster than the growth of income (and thus demand) and even population, and at some point the output relative or even absolute exceeds the demand, and the economy enters a depression. It is pointed out that controlling depression is one of the main tasks of the government to manage social economy in modern market economy. The best way to control depression is to inject new technology with the ability of division of labor into the economic field in time while holding public projects. [1] In addition, this article points out that successful enterprises in history have always been able to flexibly adjust their strategies according to the changes of market environment in crisis, so as to tide over difficulties and grow stronger. And to this from the cost structure, marketing methods, main business and other aspects to provide solutions.[2] However, in this paper, this topic includes the analysis of the replicability of the solutions used by enterprises in the crisis between different enterprises and different countries, which is different from the article research

that only recommends solutions but does not give the applicable environment and conditions.

3. The Ability of Companies to Remain Competitive in The Long Run During Economic Downturns

3.1. New business and new product research and development

If an enterprise wants to survive, it must have a good insight and foresight of market changes, and the market is rapidly changing, especially in the economic downturn, more unpredictable, and the new trend of the industry that was originally favored by all parties and the hot selling products with advantages may become difficult to sell products. Some market segments that are considered to be doomed or products that were initially considered to be of low value may become life-saving straws for enterprises, so what enterprises need to do is to find and seize these life-saving straws that were previously ignored.[2]

In a recession, the lack of new product development often makes it difficult for companies to adapt to market changes and meet consumer demands, which can lead to bankruptcy. For example, Campbell Soup Company (Campbell Soup Company) in difficult economic times, because of the long-term reliance on traditional products and did not adjust the product line in time, resulting in a decline in sales. The company failed to adapt to consumer demand for healthier, more diverse foods, and suffered in a highly competitive food market. Over the past few years, Campbell Soup has been known for its traditional canned soup products. However, as consumers become more health conscious and demand for a healthy diet increases, companies have failed to introduce new products with healthier, lower salt, fat or organic ingredients in a timely manner. This has led to some challenges as consumers gradually turn to more health-focused and natural-food options and are no longer satisfied with traditional high-salt, high-sugar products. Campbell Soup has been unable to keep up with healthy eating trends for some time and has not introduced enough innovative products to meet different types of consumer needs. This caused the company to lose some share in the market, affecting its revenue and market position.

On the contrary, Coca-Cola, as a world-renowned beverage company, has been trying to meet the changing consumer demand through new product research and development, and maintain market competitiveness.

3.1.1. Health and functional drinks

In a bad economy, consumers may be more health-conscious and opt for products with less sugar. Coca-Cola has introduced low - and no-sugar beverages to meet the needs of consumers who want to make smarter choices when it comes to health. During the recession, when consumers may be more price-conscious, Coca-Cola introduced affordable packaging, such as large-volume bottles, to appeal to consumers looking for more cost-effective products. In order to stimulate consumers to buy, Coca-Cola introduced some special flavors such as lemon, cherry, coffee, etc. during the economic downturn, or limited time sales of products. This strategy can attract consumer curiosity and increase sales. In tough economic times, people may need extra energy or other functional drinks to cope with stress and challenges.

3.1.2. Price reduction or packaging innovation

Coca-Cola will also launch some energy drinks, vitamin drinks, etc., to meet the needs of consumers in specific situations, especially in the economic downturn, most consumers are white-collar or manual workers. At the same time, Coca-Cola may take advantage of the opportunity of the economic downturn to increase the development and promotion of environmentally friendly packaging and sustainable products. This will not only help meet consumer demand for environmental protection, but also enhance the company's image.

It can be seen from the above two different approaches and influences on new product research and development of enterprises during the economic depression, the importance of new product research and development and innovation for enterprises during the economic depression, especially when the trend of people paying more attention to healthy diet and reducing living costs is increasing. If a company is unable to adapt to market changes and meet consumer demands, it may face the risk of losing competitiveness and market share. In general, the research and development of new businesses and new products is crucial to the continued growth and competitiveness of enterprises. By constantly innovating and introducing new business areas or products, companies can expand their market share, meet changing customer needs, and even create new markets. Innovation helps enterprises cope with market competition, maintain a leading position in the industry, and create more opportunities for enterprises.

3.2. Enterprise capital structure

During the economic depression, the real estate industry is usually severely affected, some real estate enterprises fail to change their capital structure timely or go bankrupt due to other reasons, but some real estate enterprises survive successfully by changing their capital structure and adopting appropriate strategies. For example, the capital structure of Lehman Brothers during the 2008 global financial crisis was one of the key factors that led to its collapse. Even before the financial crisis, Lehman Brothers had serious problems with its capital structure, mainly in its highly leveraged and distressed real estate investments. Lehman Brothers used extremely high leverage, meaning it borrowed huge amounts of money to invest. This means that the company has a relatively high level of debt and a disproportionate share of debt relative to its own capital. This high level of leverage makes the company more vulnerable to market instability, as it needs to constantly roll over and renew short-term debt. At the same time, during the housing market crash of 2008, Lehman Brothers held a large number of assets linked to the housing market, which fell sharply in value. Because the company's capital structure was already over-leveraged, these losses quickly eroded the company's own capital. As a result of these problems, Lehman Brothers eventually declared bankruptcy in 2008 in one of the largest bankruptcies in history, triggering the climax of the financial crisis.

On the contrary, many successful real estate companies have survived, such as Vornado Realty Trust, an American real estate investment trust, which adopted some successful strategies to cope with the depressed real estate market during the 2008 global financial crisis. It has used a diversified portfolio, active capital management and strategic asset sales to better cope with financial crises during economic downturns.

3.2.1. Diversified portfolio

Vornado Realty Trust has adopted a diversified portfolio strategy during the economic downturn to mitigate risk and deal with market uncertainty. Vornado has a solid presence in the office market, which is generally more stable than the retail and residential markets. Office rents are usually long-term contracts, which help provide a steady rental income. Although the retail sector has suffered somewhat in the financial crisis, Vornado also has investments in retail properties. These properties include shopping malls and retail commercial properties, which may have stable rental income in different market conditions. Vornado has also invested in a number of residential properties, including apartment complexes. Although the residential market may be challenged in times of economic distress, residential properties can provide consistent rental income in the long term. Vornado has also invested in a number of residential properties, including apartment complexes. Although the residential market may be challenged in times of economic distress, residential properties can provide consistent rental income in the long term. In general, Vornado has adopted a diversified portfolio strategy to ensure a stable source of cash flow during economic downturns and to reduce dependence on specific markets or industries. This diversification strategy helps the company maintain profitability and robustness in different market conditions.

3.2.2. Capital management

During the economic downturn, Vornado Realty Trust also undertook a series of proactive capital management measures in response to market uncertainty and financial stress. Vornado Realty Trust strives to manage its debt levels and ensure that the debt burden is manageable. This includes negotiating loan terms with creditors and extending maturities to reduce debt pressure. In addition, the Trust may also seek financing channels to ensure that there is sufficient liquidity to support its operations and projects. In times of economic distress, the trust may consider debt restructuring to reschedule liabilities, including extending debt maturities, reducing interest rates or lowering the total amount of debt. This helps reduce the repayment pressure and increases the financial flexibility of the trust. These proactive capital management measures helped Vornado maintain a relatively stable financial position during the economic downturn and improved its ability to respond to adverse market conditions. The key to these strategies is to ensure liquidity, reduce financial risk and flexibly adapt to market dynamics.

3.2.3. Strategic asset sales

Vornado Realty Trust also made some strategic asset sales during the economic downturn in order to deal with market uncertainty and maintain financial stability. Vornado Realty Trust may have sold some commercial properties that are no longer considered core assets to raise cash and focus on more promising projects. These sales can include shopping centers, office buildings or other commercial land. The Company may divest properties that are deemed non-core and may no longer be of critical value to the Company's overall strategy and portfolio. This helps to reduce the administrative burden, reduce maintenance costs, and gain cash flow. These strategic asset sales help the company maintain financial stability, raise cash and reduce risk, especially during economic downturns. These sales are typically made to focus investments on projects that the company believes are most promising and to ensure that the company is able to respond effectively to adverse market conditions.

Taken together, these strategies helped Vornado weather the financial crisis and maintain the robustness of its real estate portfolio. Despite the challenges that the real estate industry may face in an economic downturn, some real estate enterprises are still able to successfully cope with adverse market conditions through adaptability, diversification and effective capital management.

3.3. Human capital

Human capital reflects the quality level of workers and is the comprehensive embodiment of workers' knowledge, technology, health and ability. Human capital has obvious externality, which promotes knowledge spillover through mutual communication and frequent interaction among workers, and improves the overall production efficiency of workers and the R&D efficiency of enterprises.[3] Human capital can affect industrial production by acting on technological progress. Workers with high levels of human capital are more inclined to engage in research and development activities. Through the research and development of advanced technologies and new products, enterprises can improve their technical capabilities, change their competitive advantages, and improve their comprehensive competitiveness during the economic depression.[4]

Netflix is an example of a company that has managed to survive and thrive in a bad economy, thanks in part to its flexible human capital structure and strategic decisions. The key factors lie in digital strategy, content investment and secretary analysis and personalized recommendation. But Blockbuster, also in the media business, went bankrupt during the recession because of its human capital structure.

The main problem for the human capital associated with Blockbuster's bankruptcy during the recession was a failure to adapt to digital transformation and lagging technology and innovation. In the late 2000s, digital media and online streaming services began to rise, and consumers were increasingly inclined to rent and stream movies and TV programs online instead of relying on traditional physical rental stores. With the rise of the digital age and the popularity of the Internet, audiences began to use online streaming services and video on demand more often. There is no need to rent DVDS or VHS tapes at physical stores. This digital media environment poses a huge challenge to the traditional video rental business. This digital transformation is rapidly changing the entertainment business landscape. Blockbuster's business model relies heavily on brick-and-mortar rental stores, which rent physical discs and face high rent and labor costs. Blockbuster, however, failed to adapt its model in time for digital transformation. They have failed to build robust online platforms and offer streaming options for digital content because of high costs and thus reduced spending on labor capital by hiring fewer highly skilled people. Ultimately, Blockbuster failed to adapt to the rise of digital media and changing market demands, and its human capital structure failed to adapt in time to meet new challenges. This led to a rapid decline in its market share, culminating in bankruptcy in 2010.

In contrast, Netflix's success lies in its investment in adapting its human capital structure and strategy to meet the needs of different markets.

3.3.1. Digital strategy

Netflix has adopted a digital-based business model since its inception, allowing users to stream movies and TV shows.

This allows them to quickly adapt to the rise of digital media without the constraints of traditional rental stores.

3.3.2. Diversify your content

Netflix has adopted a diverse content strategy that covers a variety of genres of movies and TV shows, from drama to documentaries, original content to licensed content. This diversity helps attract different types of viewers and reduces reliance on specific types of content. Netflix has invested heavily in original content, with hit shows such as House of Cards, Stranger Things and The Crown. These original works not only help attract new subscribers, but also motivate existing users to continue subscribing to the service. This original content has become an important draw for subscribers during the economic downturn, helping Netflix maintain a robust business.

3.3.3. Data analysis and personalized recommendations

A key factor in Netflix's success in surviving the recession was its excellent data analysis and personalized recommendation system. By providing personalized recommendations, Netflix can better meet users' interests, making them more likely to continue subscribing to the Netflix service. This kind of retention is important to maintain revenue and stabilize your business during a tough economy. Netflix not only offers movie and TV show suggestions based on users' preferences, but also customizes original content based on its data analysis. This means they can more accurately understand what type of content users want, and then invest in producing original works that fit that need. Netflix's data analysis helps the company better understand what content is popular and what is likely to attract new subscribers, allowing for more targeted sourcing and licensing of content. This can reduce unnecessary expenses and ensure that their content library is always attractive.

Generally speaking, the three factors of new business and new product research and development, enterprise capital structure and human capital are strongly related to each other. For example, the research and development of new businesses and new products needs to have sufficient financial support, but also need to have the right human capital to achieve innovation. A firm's capital structure decisions also affect its investment in research and development and human capital. Therefore, considering these factors together and finding a balance between them can help companies achieve sustainable growth and success.

4. Availability of solutions between States

The viability of new business, new product development, corporate capital structure, and human capital for businesses in a recession can vary significantly across countries and industries.

4.1. National and regional macroeconomic environment

The macroeconomic environment of different countries and regions has a significant impact on the viability of enterprises. As an important part of government policies, the environmental impact of the formulation and implementation of macroeconomic policies should not be ignored, especially the macro economic policies implemented in the process of opening up the economy, such as currency depreciation, trade liberalization, tariff reduction, price liberalization and subsidy elimination, which enable a country's economic growth and

gradually integrate into the process of global economic integration. It affects environmental quality by changing the relative prices of inputs and outputs.[5] Some countries may have greater market instability and consumer uncertainty in times of economic depression, which may reduce the viability of new business and product development. During the global financial crisis in 2008, the macroeconomic environment in the United States was severely impacted, with the real estate market collapsing and the banking sector in crisis. This has had a big impact on corporate America, with many companies having to cut spending, lay off workers and postpone investments in new businesses. In contrast, China's macroeconomic environment has been less affected. The Chinese government has adopted massive stimulus measures to boost domestic demand and infrastructure development, which has helped sustain economic growth. As a result, some Chinese companies were able to continue expanding their operations and launching new products during the global financial crisis.

4.2. Market demand and consumer confidence

Market demand may vary in different countries and regions. The consumer confidence index is an important part of the macroeconomic prosperity index system[6], consumer confidence can also suffer in bad times and seasons' change. Businesses need to assess whether the market demand is sufficient to support a new business or product and understand whether consumers are willing to buy it. For example, in the real estate industry, in times of economic downturn, the real estate market is usually affected because the demand for home purchases may decline and home prices may fall. For real estate developers and construction companies, this could lead to project delays or reductions. Property markets in different countries have been hit to different degrees. Spain and Ireland, for example, experienced severe property crashes after the 2008 global financial crisis, while some Asian countries such as Singapore took policy measures to smooth their property markets.

4.3. Human capital and skills

The human capital and skill level of a company is critical to the development and launch of new businesses and products. Businesses with the right employee skills and knowledge are likely to be more competitive and able to adapt more quickly to new market demands. In the field of technology, talent and skills are critical to the success of a business. During a recession, it may be easier for technology businesses in some countries to attract and retain highly senior engineers and developers because they are scarce in the market. One example is India, which has a large pool of technical expertise. During the global financial crisis, India's information technology industry was relatively stable and continued to attract foreign customers due to their ability to provide high quality technology services.

5. Conclusion

All in all, the ability of enterprises to maintain long-term competitiveness in economic depression includes the research and development of new business and new products, the management of capital structure and how to use human capital correctly and effectively. At the same time, due to the differences in macroeconomic environment, market demand, consumer confidence, human capital and skills among countries and regions, the methods and cases used by existing

successful enterprises cannot be directly copied and used, so the decision should be made by combining the relevant policies, laws and regulations promulgated by the national and local governments and the market environment.

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