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## Lesson from the past can help weather the storm

**T**here's no denying that times are tough. So tough, in fact, that few of us have experience managing in this type of environment. Or do we? The world has seen some big economic crises over the past 15 years. Mexico. Asia. Argentina. While today's economic decline is not isolated to a country or a region, as these were, we can learn lessons from those experiences. I've battle hardened myself, having been managing director of Discovery Networks International for Latin America and later President of the International division from 1994 to 2007, building a business through some of the toughest economic storms of the past decade. Here are a few things I learned during those economic crises.

**Don't lose sight of your customers.** In good times and bad, the customer matters. But in bad times, your past track record of spotting trends, offering products that customers want and earning their loyalty pays off. Companies that were customer-focused in good times are now realizing those rewards. Think Apple and its iconic iPhone. In our business, BSKyB is a good example of a company that worked hard over the past couple years – during the good times – to reshape its business to better suit its customers and changing market dynamics. The company aggressively deployed services to achieve a degree of customer stickiness that is serving it well in the downturn. For the second half of last year, the company reported an increase in subs, revenue and operating profit as well as increased margins, a feat that has become a rarity in earnings reports.

**Relationships matter.** The natural impulse in today's shrinking economy is to look to your partners for more revenue. As I travel the world these days, I'm hearing stories of increasing aggressiveness and hostility between partners. But before you let your long-standing relationships suffer, step back and think about how each piece of the industry makes its own important contribution to your company's viability.

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During the Argentina Peso crisis and subsequent run on the banks in 2001-2002, cable operators lost massive amounts of revenue as the Argentine currency was devalued and the economy collapsed. Their business model was destroyed and as they were on the brink of ruin. It was important for all parties dependent on distribution to keep them in business. My local team renegotiated our contracts, providing the financial relief the operators needed to stay afloat. That compromise enabled us to keep our place in the market, continue earning whatever ad sales revenue we could and more importantly it paid off during subsequent years in numerous ways when the economy recovered.

**Content is (still) king.** Producers should take heart in recent US box office numbers indicating that movie attendance is back. January was the first US\$1 billion month in history. Content companies that are trendsetters and deploy smart business thinking, such as creating formats that will sell across cultures, are weathering the storm. Witness 19 Entertainment, Simon Fuller's company, which recently disclosed operating profit growth of 49% and a 14% increase in revenue for the year ending December 31. Smaller producers can take a lesson from 19's success in understanding its consumer and leveraging trends. Developing economic efficiencies that allow for content to travel across the globe and across platforms means casting off old ways of thinking. It is the innovators who are willing to shake-up the production process and explore new economic models that will survive.

**Dysfunction must be reckoned with.** Good times mask dysfunction and poor performance. It's easy to let things go when the revenue is pouring in. High growth periods require so much energy and attention from senior executives that hard-to-deal-with situations often get put on the back burner. Now is a time to not only streamline your organization but to re-examine processes and procedures for ultimate effectiveness.

**Challenge your employees.** For those employees who survive the downsizing, help them see that there is opportunity in taking on more responsibility and doing new tasks. These times are the test of a good manager to help surviving employees keep their spirits up and the work flowing.

There's no silver bullet for what ails us today. But I can tell you from experience, it pays to stay above the hysteria and focus on the world as it will be when this passes. **TBI**