By Eric Tegler
Photos by Bryan Burris

When it comes to besting the recession, getting "defensive" is not a strategy. Some companies are bucking the status quo by adopting aggressive business strategies and

TAKING THE BULL BY THE HORNS

BY NOW

By now, the psychic shock of the financial meltdown/credit crunch/mortgage mess should be in your rearview mirror. The very pillars of the economy have changed and all of us have been dealt a new hand. The conventional wisdom, as you've likely heard for the last two quarters, is to sit on your cards unless you have pocket aces. That's what banks and capital providers everywhere have been doing. But some CEOs say it's a recipe for stagnation.

While Americans continue to buy and sell, there is ever-present opportunity, they say. There is also more room to maneuver than you might imagine and there are practical gestures you can make to sustain and even thrive. Cutting overhead and clinging to existing clients might get a firm through the recession, but it's a tactic, not a strategy. Firms that fail to develop a plan to retain and develop new business and people – a strategy – will be playing catch-up when the economy turns again. That's why a growing number of business leaders think it's time to ante-up and attack the recession.

THE FORGOTTEN BACKYARD

Aside from housing, there isn't a sector that has taken a bigger hit this year than the financial sector. Immense wealth has been lost globally. The International Federation of Stock Exchanges' report for December 2007 placed the domestic market capitalization of its 51 stock exchange members – from the little exchanges like Bermuda to the NYSE – at $63 trillion. In December of 2008 the figure had nearly halved to $32.5 trillion. Nationally, the Dow Jones lost almost 34 percent of its value in 2008, its worst year since 1931.

If you're in the financial business like Chip Lewis, you probably just wanted to pull the covers over your head and stay in bed. Lewis' company, Hunt Valley-based PSA Insurance & Financial Services, is a multi-disciplinary financial services firm with competencies including wealth and risk management, employee benefits, brokerage and consulting.

The drum beat of bad financial news had been in Lewis' ear throughout 2008 and, as for everyone else, reached a crescendo in October. By that time, he says, he had heard enough moaning from his peers and from the press.

"The financial tsunami and the constant belly-aching about the situation got to me," he says. "I was worn out after a few months of that and started contemplating the idea that 'there is nothing we can do.' I couldn't buy into that. Then I connected the dots and I thought, 'There is something we can do.'"

That "something" arose from inspiration Lewis drew from the business his son, Trey, has embarked upon. Trey's company operates in a realm far removed from financial services. The details we'll get to later, but it's worth pointing out that Trey's business has one of the most distinguishing hallmarks of a traditional enterprise: its scope is local.

Though Chip Lewis' firm serves regional and local clients, it must research and access global markets to provide its services. That leads, he says, to a mentality that values goods and services without regard for their geographic origins. Indeed, in this age of easy information, communication and transaction, goods and services from afar are often valued above those available nearby. It's a phenomenon that Samuel Clemens summed up well in the late 19th century when he quipped that, "an expert is someone from out of town."

Watching his son's business, Lewis figuratively concluded that he'd followed Clemens' maxim too often.

"What we can do," he emphasizes, "is support local businesses. Even in a business like ours, you can actually meet many of your needs locally."

The full force of the idea actually hit PSA's managing director before mounting the podium at a breakfast meeting.

"I was doing the introduction and I had a little script to follow," he says. "Spontaneity overtook me and on the way from my chair to the podium I decided to ignore my script [giving his marketing manager a coronary] and told the audience that the idea of doing nothing was something we shouldn't accept. I talked about what we could do. The reaction was powerful. It was better received than anything I've ever done. I saw that this was a real idea, not just a notion in my head."

The audience, Lewis adds, had been expecting another run-of-the-mill introduction, rehashing the negativity already so prevalent. But his recognition of the seriousness of the situation combined with a positive message jarred his peers awake, he maintains.

"The reality is that we're in the deepest correction that anyone alive can remember," he says. "But there's no excuse for just sitting there and taking it. The economic impact of driving your consumer and small business dollars back into your community is awesome."

> "We do business with good companies wherever, but we get close to home whenever possible. I'm not proposing that you make a bad decision. I'm not proposing that you pay more. I'm saying give the local guy a chance."

As many positive comments as he got that day, Lewis thought he'd better "walk the walk" rather than just lecture. So he had one of his staff members (PSA has about 140 people) pull a complete list of the company's payables. As Lewis went over it, one of the first things he noticed was PSA's outlay for office supplies from Staples. The figure was significant, bolstered by the company's recent acquisition of several competitors and a move to its new Hunt Valley headquarters. The product and services Staples provided were well executed and competitively priced, Lewis acknowledges. But he wondered if there was an alternative.

"I was familiar with but really didn't know Rudolph's Office Supply," he remembers. "They had called on us but we didn't give them the time of day. It's a husband and wife business. I picked up the phone, called and introduced myself. I said, 'Listen, I think I made a mistake. You've called on us in the past but I couldn't be bothered. I'd like to hear from you: what compelling reason do I have to do business with you rather than Staples?'"

Once he'd convinced the party on the other end that his was not a crank call, Rudolph's owners addressed his proposition, promising turn-around, supplies and pricing on par with or better than Staples. Lewis agreed to try their service and after a couple months it proved everything Rudolph's had promised. Then it was his turn for an unexpected phone call.

"They called me and said, 'We've been thinking. This has worked out well. Come on out and take a look at our business.' And that wasn't the intent."

PSA picked up a new client. The firm has since combed through its other transactions, seeking local suppliers and relationships where feasible. Lewis admits he's become an evangelist for the idea, even shopping at local grocery stores like Graul's and Eddie's for his larder. While the idea strongly appeals, he emphasizes practicality in executing it.

"We do business with local, national and international companies," he says. "We do business with good companies wherever but we get close to home whenever possible. I'm not proposing that you make a bad decision. I'm not proposing that you pay more. I'm saying give the local guy a chance."

PSA's marketing manager, Justin Hoffman, was in the crowd at the breakfast meeting and confirms the favorable reaction Lewis' speech generated. He theorizes that its call for action is particularly appealing to business owners and leaders – people used to controlling their own destiny. Lewis has made a point to be visible to and in-touch with PSA's clients, comforting them and helping them react prudently to the rapidly changing situation. He's also kept on-message regarding the "go local" idea.

"There's been a constant flow of people telling me it really hit home," he enthuses. "They're really doing something about it."

One of them is his son.

WHERE THE BUFFALO ROAM

Think of the American Bison and scenes of the Great Plains come to mind. At this very moment a herd of about 100 roams – in Monkton, MD. They have no brand but the locals know they belong to the Gunpowder Bison & Trading Company. Trey Lewis brought the animals to the little town north of Baltimore in 2003. Bison meat (or any meat) raised and sold locally usually enjoys a competitive advantage because it need not travel long distance to consumers. Freshness is evident in the taste. It's one of the benefits of going local.

Of course, most Marylanders aren't even aware that bison walk our countryside. Before hunting drove them away, bison populated much of the eastern seaboard. But they've been a fixture of the American west and of late associated with media mogul and conservationist, Ted Turner. Turner is America's largest private landowner with 2 million acres spread across 15 ranches in seven states in the Midwest and Southwest. He got into bison ranching in a big way in the 1980s, amassing herds that now number in excess of 50,000 head.

In 2002, he opened the first of 50 Ted's Montana Grill restaurants, which feature Bison-centric dishes on their menus. Though initially disdained by small bison ranchers because he essentially cornered the market for buffalo, Turner is admired for the press attention and marketing exposure he brought to bison meat. His sprawling enterprise is also a perfect counterpoint to Trey Lewis' boutique-sized Gunpowder Bison & Trading Company.

Gunpowder is the only serious bison business in a state that might seem an odd place to locate a bison ranch. But Lewis doesn't think so.

"It's a great market for the product that is very healthy, super lean," he says. "It's actually better for you than skinless chicken. This market is a higher income, health conscious market. Where bison are normally raised, out west and in more rural areas, it's harder to sell meat because the population density isn't there and the type of people who seek health-conscious meat aren't there."

A stumbling point for would-be bison ranchers is the fact that acreage here costs several times what it costs out west, but Lewis was fortunate to be able to take advantage of his family's existing 75-acre farm. Even still, Lewis believes that land costs are balanced by the fact that Gunpowder can sell more meat here than in other markets. And because most of its clients are local, shipping costs are not significant.

Gunpowder supplies area restaurants including Woodberry Kitchen, Corks, Saschas, Gertrudes (Baltimore Museum of Art), Manor Tavern and Padonia Station. It serves local retailers, Graul's and Eddie's supermarkets and offers its meat at farmers markets as far south as Washington, DC. The vendors not only approve of the freshness of the product but of the fact that they can take a short drive and see it on the hoof.

"There are actually some better conditions here [than out west] because the grass is of higher quality and there is more access to other feeds from hay to corn," Lewis adds. These points are driven home when you look one of his bulls in the eye. Domesticated the bison are not, and as a result they are more intelligent, aggressive animals than standard cattle. They can run at speeds up to 35 miles per hour and come from a diverse gene pool. They're subject to few diseases and their health is evident. It shows in the cuts of meat on offer in Gunpowder's own retail space on the farm.

Lewis is not a born rancher, though growing up on the family farm accustomed him to agricultural pursuits. Exposed to bison meat in culinary school, he wondered

why it wasn't more readily available in the area. Though a few farmers have raised bison locally, they've done so as a hobby, making meat available sporadically and never marketing it. "No one's been willing to take the risk [of launching a business]," Lewis asserts. "It is expensive."

In 2003, Lewis began building the necessary infrastructure on the farm (buildings, pens) and brought in his first eight animals. He knew nothing of bison but hired one of the few "bison consultants" and started from scratch. "He came in and taught me what fences we needed, what the animals were like and how to handle them – everything," Lewis says.

Six years on, Gunpowder is expanding. The company will lease an additional 110 acres a short distance away so that it can grow the herd to approximately 200. The scale of the operation nonetheless remains relatively small, and Lewis and his wife, Angela, oversee a handful of employees dedicated to promoting bison as well as growing their business.

Typical bison fare includes burgers, steak, ribs and other conventional cuts. Gunpowder dry-ages its meat in the same fashion as high-end Angus beef. The animals' grass feed is supplemented with corn to lend a more familiar taste.

"The taste is not very different from beef," Lewis says. "It's not gamey; it's a little sweeter and very lean. That's a point we're always trying to drive home."

Angela Lewis adds that the company leverages the benefits of its local origins (Maryland grass is considered particularly good for the buffalo) in marketing and advertising.

"You know where the meat came from," she says. "The bison are not processed in a big plant. They eat all natural feed. We don't add any hormones, feed additives or antibiotics."

They're butchered locally, as well, in a family-owned shop in Lancaster, PA. Finding a butcher that would take on bison was one of the toughest challenges he faced, Lewis says. The company he uses saw their facilities burn to the ground about the time he was looking for a partner. They agreed to build new facilities with the heavy-duty equipment necessary to handle bison, and Gunpowder became their first new client.

This instance of mutually supporting local businesses is the kind of example that gave Chip Lewis the inspiration to articulate his "go local" message. True to his father's mantra, Trey strives to source his suppliers – feed, packaging, transport, office – locally. While Gunpowder now sells online to businesses as far away as California and Hawaii, Trey Lewis says he'll continue to emphasize the Monkton origins of his product.

"Things have come together here and we're growing," he says.

'STRUCTURAL RECESSION'

While strengthening ties with neighbors is an obvious survival strategy in difficult times, not every business can survive simply by tending to that strategic path.

For some business segments, quickly changing fundamental company structures and shifting resources to wholly different revenue streams is the only way to get through.

This is the fourth recession Robert D. Fox has seen. He's the principal of Fox Architects LLC, one of the largest design firms in the Washington area. An award-winning firm, Fox is also one of *Washington SmartCEO*'s "Five On Fire" firms (January 2009). Fox employs 70 people in two offices in the Washington metro area and specializes in corporate headquarters and campuses, and governmental, institutional and mixed-use projects locally and nationally.

Architecture is a particularly interesting business. It is essentially intellectual property yet the fruits of its labors are manifest in wood and glass and steel. Tied to real estate, government spending, fashion, consumer spending and the credit markets, it nonetheless runs ahead of development in those sectors because it relies on a pipeline of projects. As such it's one of those "canary in a coal mine" businesses that signal where the economy may be headed.

Robert Fox says he had an inkling in July 2007 when he noticed a deceleration in pace of projects his company was able to line up. Nevertheless the company continued to perform, and like the rest of us, he expected a relatively shallow slump followed by a return to growth.

"The typical [recession] pattern is that we see it first, then I'll wonder what's going on and eventually read about it in the paper six or eight weeks later. The pattern for this one is different," he says. "From our perspective things were pretty strong right up to the third quarter. What we're starting to see now is that our clients are having trouble obtaining credit. Projects are being put on the back burner."

In December, the American Institute of Architects (AIA) Architecture Billings Index posted its lowest level since the survey began in 1995. As a leading economic indicator of construction activity, the ABI shows an approximate nine to 12-month lag time between architecture billings and construction spending.

"With mounting job losses, declines in retail sales and travel cut-backs, the need for new commercial facilities has dropped considerably recently," AIA Chief Economist Kermit Baker says. "What's just as troubling is that the institutional sector – schools, hospitals and public buildings – is also beginning to react to tighter credit conditions and a weakening economy."

As a result, things are tough for architects. Layoffs have become the norm as they were in the 1990-93 recession wherein some 40 percent of architects lost their jobs, according to UK's *Guardian* newspaper. While trimming staff is a time-honored tactic, many firms recognize that it's bad strategy. Architectural and engineering talent is hard to come by in good times. That's why firms across the country are struggling to hold on to their employees.

Bing Sheldon, founder of Portland, OR-based SERA Architects, has asked his employees to work four-day weeks. As project loads lighten, Sheldon explains, employees in a particular project team shift to a reduced week while retaining full-time benefits. As new projects are landed, they shift back to full-time schedules and another of his groups pulls back to four days.

In addition to overhead reduction, the strategy allows SERA to market its talent continuity. Clients, Sheldon explains, don't want to begin a relationship with a designer only to find they have been laid off. "We can tell the client, 'We have the staff for you.'"

Back in Washington, Robert Fox has managed to keep all of his staff busy full time.

"We haven't really considered [scale-backs]. The work is still there, there's just less of it," he says. "Our strategy remains to go where that work is and obtain it as opposed to retrenching. I think we'll see new services offered as firms adapt to what the market needs. I look at the recession as an opportunity to go back and take a hard look at our business."

When Fox says he looks at the recession as an "opportunity," it may sound like so much CEO-speak, but the sentiment is based on personal experience. He's proved that opportunity exists in difficult times.

EXPLOITING THE DOWNTURN

While a generation of architects saw their professional aspirations seemingly vanish during the early '90s recession, Fox did something "contra-indicated." He quit his job and started his own business.

"I'd been working for a firm called Studios," he remembers. "In July of 1991 I resigned from the firm and started my first [architectural] business in August. I guess

I was too dumb back then to realize what I was doing. There were three of us in the firm and my attitude was that in a recession the economy is a little slow. It doesn't mean that all building projects are going away. People will need our services, maybe not as urgently. But if we do our job the best we can and maintain our relationships with our clients, we'll be fine. As a result we grew right through that period from 1991 to the next [economic] growth period. And we did have our pick of good, talented people. There were a lot of them out there looking, even begging for jobs."

The message is, don't toss aside your professional aspirations. While your firm will require realistic, careful stewardship, a vision for its future remains essential, and perhaps even more important, in an austere economic climate. To realize your vision you'll have to have the right help in place and now, Fox says, might be the best time to get it.

"The architectural profession is one in which you need a lot of experience," Fox says. "That experience comes over time. Architects need five to eight years before they're really productive."

Suddenly, those architects are available.

"In the last recession I had a guy with 10 years of experience who was probably one of the most talented architects I've had the pleasure to work with positively begging for a job paying $40,000 a year," Fox remembers. "Eighteen months ago, we were out begging for talent which we'd pay two-and-a-half times that."

That's why Fox says he's keeping tabs on the talent pool. Now may be an ideal time to add valuable acumen to your firm at a reasonable price. Fox Architects will likely do just that. Its principal confides that, contrary to convention, one of his more talented people just left for a consulting firm. "The guy is also a very talented artist" Fox says. "He was looking for a way to work and still support his art career."

One of things economic down cycles do is force companies and individuals to consider opportunities they ignore in boom times. In the last deep recession New York City architects turned from the towering skyscrapers they'd concentrated on to try their hands at more pedestrian projects like jails, courthouses, hospitals, laboratories, public housing or mass-transit.

Fox Architects' expertise in commercial office design is highly valued in new buildings and renovations. But its principal has divined more opportunities in partnership with commercial property managers. Working together, he explains, they're more likely to attract new tenants and create design business.

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"What we see in this market is that leases will continue to expire and tenants will have to move," he says. "There's an opportunity for tenants to upgrade in a down market. They can go from B or C level space into A level space and their rent will probably either stay the same or go down. That's also an opportunity for us."

Curiously, fallout from the market meltdown may create more business in Fox's backyard. The company has taken on more national work in the past two years and continues to follow its clients, but Robert Fox views his DC location as particularly felicitous. In this recession, failed deals in New York, Los Angeles and Chicago can evolve into potential projects in Washington.

"Our clients took us [out of the DC metro area] and we're continuing to work with them," he says. "But I feel very fortunate that we're based in this area. In the past, we've done well through recessions and if predictions hold, there'll be a lot of government spending. There's also a lot of financial movement, as in financial institutions, to the DC market. The DC government is going to be spending through a lot of contractors based here so hopefully, we'll see some benefit from that."

Fox advises other CEOs to be wary, avoid debt and build their balance sheets, but he also encourages continued prospecting and relationship building. That's an easier task in Washington, he acknowledges, but it remains vital.

"If you're in a market like Washington where the number of deals and the churn rate is much higher, what you see is an incremental increase in knowledge, experience and connections that come with each deal," Fox says. "You're doing a lot more and learning a bit from each one. That gives you an edge in the design or technical capability you can bring [to a project]. We're in the people business and the more people you deal with, the more talent you can find, the more potential you can bring to the firm." CEO