



Partner With Your “Competitors” -- The Smartest Change Work to Do During the Economic Downturn

by Robert “Jake” Jacobs

I recently did an interview with [Michael Fischer from Lyondell-Basell](#) about important change work to do during this economic downturn. The short list of to do's is pretty straightforward:

- Manage costs. Decrease them wherever possible
- Protect your share of a shrinking marketplace
- Conserve cash so that you can weather the financial storm.

These make sense. But alone, they miss the mark.

There's one good thing about times like these when the economy tanks. It encourages out of the box thinking. You get ahead by challenging fundamental assumptions. The more sacred the assumption, the more you need to call it into question.

What's the most basic assumption in this economy?

If you're smart, hunker down and protect what you have.

This morning I met with Chaz McEwen and Gretchen Nielsen, board members for The 24th Street Theater here in Los Angeles. They had asked to talk to me about the theater's strategy. Several years ago I facilitated a retreat for the board and this LA gem's two nonpareil leaders, Jay McAdams and Debbie Devine.

Times were tough for small theaters even back when we held the retreat. State and federal funds were getting cut. Today, public money is even less available. Foundation endowments have taken a hit in the markets so there are now also fewer grants – a major portion of 24th Street's budget. Making matters worse, attendance is also down. When people are out of work and trying to make house payments, the arts takes a second, third or fourth seat at the table...if they get one at all.

I listened to this bleak picture painted by Chaz and Gretchen over coffee this morning. What can you tell leaders of a business providing a

discretionary service during an economic downturn?

What was my advice?

- Don't hunker down.
- Do the opposite.
- Focus up and out.

Connect with others in the theater world and build alliances. We're all in this mess together. So why not take that truth at face value and act on it. I suggested to my theater friends that they convene a group of similar small theaters to collaborate and support each other during these tough times. Each theater has a loyal base of patrons. Combine them and your customer base suddenly becomes an order of magnitude larger than any single theater's.

My former partner Frank McKeown told me a story years ago that I shared with Chaz and Gretchen. Frank asked me if I were a rug merchant in Persia, what would be the best thing for my business in terms of where my competitors were located. I answered, “Have them as far away from my store as possible.”

Frank smiled and said, “Nope.

- The best thing you could hope for would be to have another rug merchant open it's doors right next to you.
- The next best thing? Have a third one open across the street.”

Sound off base to you? It did to me. But paradoxically, it makes sense. Frank's argument was that if you could convince enough owners to set up their rug shops on the street, together you could become the city's (and even the region's) center for Persian rugs. When anyone needed a carpet they'd all head to your street. Working together, you'd raise everyone's boat in the water.

So next time you're worried about your competitors, think about partnering with them instead.

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