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Anne Toppinen, Heimo Karppinen & Kati Kleemola (eds.)

Competing in the Global Economic Recession

Vlosky, R.* and Panwar, R.

* Louisiana Forest Products Development Center, Rm. 227, School of Renewable Natural Resources, Louisiana State University Agricultural Center, Baton Rouge, LA 70803, rvlosky@agcenter.lsu.edu.

The financial crisis that started in mid-2008 has led to a subsequent economic recession. Although officially declared over, global financial degradation may result in a ?double-dip? recession with no substantive relief in the near term. Consequently, fundamental shifts within global forestry and the forest industry sectors have taken place with disruptions, dislocations, and uncertainties felt through the entire chain from the forest to markets. This is the worst downturn for forest products markets since the first oil crisis in the 1970s. Manifestations have included decreased demand, fluctuating prices and changed exchange rates, increased competition, overcapacity, low profitability, wood supply problems, and competition for raw materials exacerbated by the emerging bio-based energy sector. Although the ability of the forest sector as a whole to experience strong growth during the recession and when recovery begins is doubtful, there are many actions that individual companies can take to create competitive opportunities during the crisis and solidify position when markets strengthen. This paper presents specific actions that can be taken to create or maintain competitive advantage across the forest sector supply chain in this time of crisis. Moving forward, companies will seek to create competitive advantages and in so doing they will adopt different strategic postures alongside making a variety of strategic adjustments. Although the future of the sector remains unclear, it is important to magnify some key areas at the intersection of economic recession and company responses. In this paper, we outline some key strategic considerations that may help companies both to prepare for and navigate through the crises that downward business cycles present. We begin with a suggestion for in-house business cycle forecasting capabilities to be adopted to better prepare companies for economic shocks. We then draw from previous research and briefly outline how various strategic postures during a recession can affect companies? post-recession performance. In the section that follows, our focus is on the leadership structures conducive to post-recession success, and finally, we discuss some key areas and strategies that can help ameliorate negative changes brought on by the Great Recession.

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