# EDITORIAL

# Is Industry Growth Overrated?

There is a school of thought in the industry that says rather than fighting tooth and nail for market share, we should all get together as one big happy family, pool our resources, and make the industry larger. Then, like ships being lifted by a rising tide, we would all watch our fortunes improve. On paper, the idea of working together, shoulder to shoulder, to make the industry grow sure sounds a lot more inviting than some Darwinian scenario in which everyone struggles to beat each others' brains out and only the fittest survive. There's only one problem; evidence suggests that industry growth does not necessarily confer prosperity on industry participants. In other words, that saying about a rising tide lifting all ships, might, for the sake of accuracy, be rephrased as follows: rising tides are highly unpredictable; swim at your own risk.

We are certainly not going to argue against the benefits of growth. Nor are we out to disparage the many joint industry efforts that have been launched over the years to promote music. We do, however, take issue with the notion of top-line industry-wide sales growth as a magical cure for all business problems. A growing industry is wonderful and exciting, but it is naive to think that growth guarantees the success of individual enterprises.

Over the past decade the computer business has been world's fastest growing business, hands down. If industry growth is so intrinsically wonderful, why then have all the major computer makers been hemorrhaging red ink for the past three years? Contrast the dismal financial performance of the "fast growing" computer industry with that of an industry in decline: tobacco. Despite declining unit sales over the past decade, the major U.S. tobacco companies have enjoyed profit growth that has been the envy of corporate America. We point this out merely to illustrate that shareholders can't take booming industry sales to the bank.

Closer to home, the music products industry is filled with tales of enterprises that failed during periods of robust growth. Between 1980 and 1985, the synthesizer business increased by a factor of four. Yet in the same time frame, ARP, Moog, Sequential Circuits, and Oberheim went bust. Going back a little further, the Harmony Guitar Company closed its doors in the early '70s at a period when guitar sales were exploding. The Richards Music Company, a maker of band instruments, filed for bankruptcy when the baby boom was in full swing and the school music business was rapidly expanding. The purpose of reviewing these obituaries is to underscore the fact that industry growth is no substitute for good management and well crafted business strategies.

So, in conclusion, is it worth trying to stimulate industry growth? Absolutely. Is growth desireable? Without a doubt. But it should be remembered that growing industries don't make companies successful, individuals do. Managers looking to industry growth for their salvation are destined to be disappointed.

**Brian T. Majeski**
**Editor**