

«After the Crisis is Before the Crisis»

Flexible Organisation – the answer to volatile markets

First indications of economic recovery are appearing on the horizon. The great temptation now is to „get back to normal“ as quickly as possible, thereby losing the opportunity of drawing the appropriate conclusions from the crisis. Conclusions that would significantly improve the position of any company when the next inevitable crisis occurs:

Looking back on the past twelve months, various strategies for managing the crisis could be identified. The response of the majority of companies tended to be reactive and problem oriented: at short notice, cost-reduction initiatives, investment moratoriums and manpower layoffs were implemented. Only a minority of organisations was well prepared for a potential crisis and consequently able to respond in a controlled manner with adequate measures. In our experience, this latter category is made up of companies that rigorously pursue their long-term strategic perspectives while simultaneously maintaining extremely flexible structures and processes.

Living with high levels of volatility

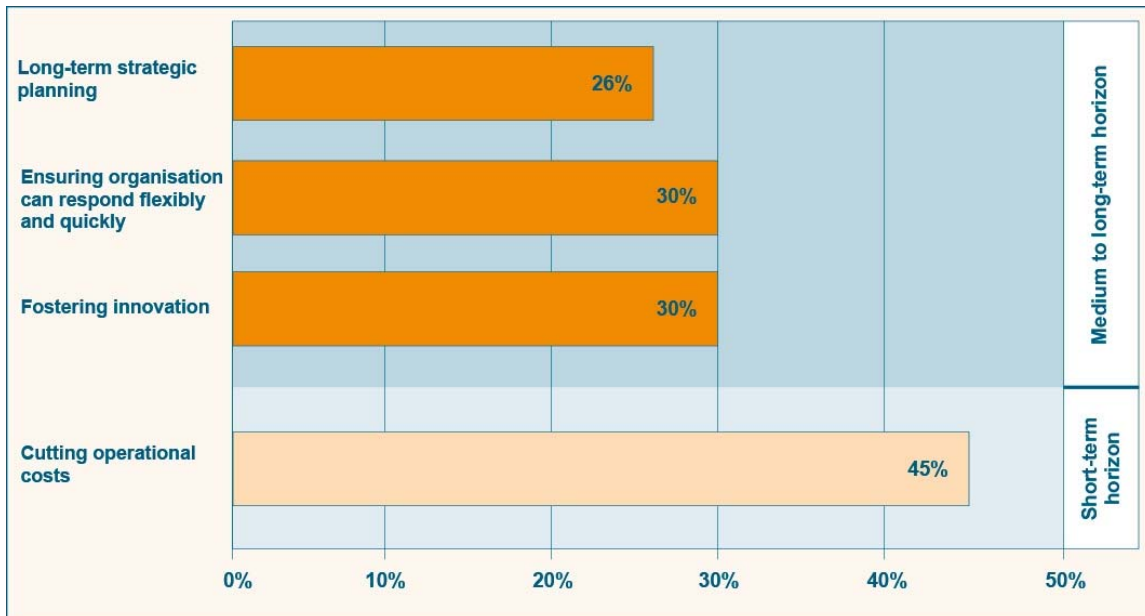
How will the economic situation develop in the future? How should companies adapt to future developments? Numerous economic research institutes are predicting an early end to the crisis: their forecast for 2010 is moderately rising growth rates. By contrast, there is no agreement on the speed and course of the recovery. One thing, however, is clear: it is only a question of time until the next crisis occurs. And, the cycles between crises are becoming shorter. High volatility of market developments has become a characteristic feature of the

globalised economy. Companies are challenged with responding to that volatility with appropriate organisational structures and adequate corporate policies. This is the only alternative for them to respond rapidly and significantly reduce the impact of an economic crisis.

Long-term perspectives

A recently published corporate survey on future policies and priorities revealed interesting conclusions¹. When questioned about their current and future priorities, executives made the following core statements:

- 45% of companies said they want to cut their operating costs.
- 30% of companies want to ensure that, in future, their organisations can respond flexibly and rapidly to any prevailing economic situation.
- 30% of companies want to foster innovation with a view to developing new products and services, thereby continuing to satisfy future customer requirements.
- 26% of companies stated that their top priority is to drive their long-term strategic planning forward.



((Fig. 1)) Long-term strategic perspectives as top priority

Continuous further development

In addition to the necessity of reducing costs, the respondents clearly see developing long-term strategic perspectives as the top priority. Decisive in ensuring future prosperity are generating a clear strategy and creating flexible «breathing» organisational structures, as well as greater innovation with reduced time-to-market deadlines. Our own experience with advising notable companies in trade and industry confirms that overall image. Organisations that develop continuously – in both economic downturns and upswings – manage change scenarios successfully. Even in times of crisis, they never lose sight of their strategic objectives. That success can be attributed to three factors in particular:

- **Rigorous implementation of the strategy**

Much of what may appear obvious at first sight is often not rigorously derived from the strategic objectives and then implemented: What are our core competencies? How do we differentiate ourselves from our competitors? In terms of strategic make or buy, what must we

really manufacture ourselves, what can be assigned to partners? Only clear answers to these questions allow a flexible, crisis-resistant organisation to be set up.

- **Enhance ability to respond**

Flexible structures and processes enable companies to rapidly adapt their cost structures to the prevailing demand and capacity utilisation situation. Such «breathing» organisations are essentially networks. They have to be built up over an extended period of time and then, in conjunction with the partners involved, continuously refined. Planning and cooperation models should be oriented towards massively fluctuating demand scenarios, but without jeopardising security of supply. Moreover, in-house flexibility can be significantly increased by adopting new working time models. Willingness to innovate is also essential in this sector – and successful organisations are not afraid to break the mould.

- **Keeping ahead of the curve**

Only continuous striving for innovation and

organisational improvements can ensure the survival of any company in the long term. Achieving that goal imposes high demands on the innovative environment within the company: innovation is a priority task and top management has to set an example.

Lay the foundations now

Create the basis for a successful future. Empower your company with the ability to respond rapidly to change. Inova consultants will support you in creating flexible «breathing» structures and lean processes. You will benefit from innovative improvements along the entire value creation chain, because there is potential everywhere: in purchasing, in production and right up to distribution.

Inova employs practically proven methods incorporating the know-how gleaned in seventeen years of project expertise. To ensure that future-proof behavioural patterns become sustainably anchored throughout the organisation and to facilitate change, selective change processes are applied to enhance the willingness of management and employees to adapt and to foster broad acceptance of new solutions.

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About Inova

Inova Management AG is a leading European management consultancy, specialising in process and organisational development, including supply chain management. Inova consultants are visionary pragmatists who are uncompromisingly committed to the interests of their clients. Inova provides support in international projects for SMEs in the industrial, trading and services sectors, ranging from strategy concepts right through to completed implementation.

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¹ McKinsey Quarterly: The crisis - one year on: McKinsey Global Economic Conditions Survey results, September 2009