

IBM Institute for Business Value



Overview

In the wake of the recent economic crisis, companies worldwide are scrambling to prepare for growth in an increasingly complex atmosphere. As they seek a trajectory for success in the post-crisis environment, what can organizations do to help them successfully manage uncertainty and complexity and, ultimately, foster growth? We believe the answer involves decisive actions designed to preempt scarcity, drive cost efficiency through productivity and agility, and seek targeted and innovative approaches to revenue growth.

After the crisis: What now?

Action amid uncertainty

Today's business environment is increasingly complex and uncertain, with organizations facing global interconnectedness, accelerated industry transformation, growing volumes of data and rapidly evolving customer preferences. Despite this, companies must be prepared to act decisively and remain flexible enough to adjust course as necessary. To succeed in this post-crisis economic environment, we recommend organizations focus on three main goals:

1. *Get ahead of scarcity:* As prices recover, the trend toward scarcity will return with even greater impact. Businesses should act now to gain a long-term advantage.
2. *Drive cost efficiency through productivity and agility:* While continuing to do more with less, organizations must build processes capable of flexibility and scaling and foster a management system that can execute quickly.
3. *Find targeted approaches to grow revenue:* Altered customer priorities and buying patterns, along with constraints on macroeconomic growth, mean that companies must selectively find innovative approaches to generate growth.

Get ahead of scarcity

Assure access to key supplies: With recovering global demand, firms must avoid the risk that inadequate supplies might constrain their flexibility to respond. Forward-looking firms have taken advantage of opportunities presented by the downturn to "lock in" future supplies, such as oil, minerals, metals and other strategic natural resources.



Secure the best global talent: Before the market tightens – and while distressed firms continue to cut staff – astute leaders will attract new talent. Today’s environment also provides opportunities to rebuild talent by enhancing the skills of existing employees and redeploying underutilized one.

Move quickly on the M&A agenda: Organizations must move quickly on the mergers and acquisitions (M&A) agenda to benefit from low asset prices. At the same time, companies must carefully select M&A targets that support their growth strategies.

Embrace the financial case for green: Green initiatives can be win-win situations, as increasing efficiency to reduce environmental impact typically decreases cost and waste. Chinese shipping giant China Ocean Shipping Company (COSCO), for example, cut carbon emissions 15 percent and fuel costs 25 percent by making changes to its supply chain.¹

Focus on productivity and agility

Improve collaboration: To drive efficiency and process improvements, organizations should embrace internal and external collaboration. IBM, for example, pioneered the use of “jams,” which are online realtime discussions for employees, employee family members, customers and business partners to share ideas about growth strategies, innovation, product solutions and more.

Tap the power of information through predictive analytics: With so much data available today, the challenge becomes turning that data into useful insights to enable action. Predictive analytics can help companies use data to enhance customer relationships, process efficiency and asset productivity.

Build a management system conducive to rapid decision making and execution: An enterprise cannot be nimble if its management system impedes timely decisions and action. Today’s organizations need to reinvest in their management systems to ensure they enable quick decisions and fast execution.

Become globally integrated: Organizations should cut costs and optimize resources and capital productivity on a global basis. For example, Swiss-based Nestlé is reaping benefits associated with its GLOBE (Global Business Excellence) program, which standardized processes worldwide to gain efficiencies in the global supply chain and back-office processes.²

Find targeted approaches to grow revenue

Promote value-conscious offerings: Value-conscious offerings do not necessarily equate cheap offerings but, rather, ones that change the price-value equation. By simplifying its portfolio and focusing on value, an organization can serve both the more value-conscious customers of the mature markets and the price-sensitive consumers of emerging markets.

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Improve marketing, sales and service productivity: Customers' increased focus on value puts pressure on gross profit margins, which fund sales, marketing and customer service operations. Therefore, enterprises must increase the productivity of these activities to reduce costs as a percentage of revenue, while increasing effectiveness.

Engage customers through digital channels: Because today's customers are leveraging the digital information explosion to reinvent how they research and shop for goods and services, companies must learn to connect with them through new channels. For example, after engaging its Vegemite product users through an online survey, Kraft Foods in Australia developed a smoother, more spreadable version of its Vegemite product.³

Establish government partnerships: As governments continue to play an active role in business and the economy, there will be numerous ways to partner with them. For example, in China, several energy technology firms are partnering with the Chinese government in its pursuit to generate 15 percent of energy from renewable sources by 2020.⁴

Are you ready for action?

As organizations prepare for a future ripe with uncertainty, one thing is certain: the need to move forward. By proactively charting the appropriate moves, organizations can get ahead of scarcity, drive cost efficiency through productivity and agility, and find new approaches to generate revenue.

How can IBM help?

IBM Strategy and Change helps organizations develop, align and implement their visions and business strategies to drive growth and innovation.

- *Scenario envisioning:* Helps companies map the possible future of industries in transition to identify value-added outcomes and define winning strategies
- *Globally integrated enterprise:* Identifies opportunity areas to capture growth and innovation from sources around the world and to gain operating effectiveness by integrating operations globally
- *Business analytics and optimization:* Helps organizations break away from their peers to achieve superior performance by harnessing the explosion in available information to streamline processes, accelerate decision making and find new sources of revenue growth.

To request a full version of this paper, e-mail us at iibv@us.ibm.com



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