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Crisis calls for efficiency, not just cost cutting

During periods of an economic downturn, questions concerning the effectiveness and the enhancement of efficiency gain additional momentum. Company performance, governance models and the corporate culture become issues that require the continuous commitment of top management.

For the majority of companies, the business boom of the recent years left little space to strategically introduce effective management tools; their operations have mainly been centered on maximizing the output volumes. Optimization initiatives were often done on ad hoc principles and were not aligned with the long term organizational strategic direction and sustainable growth.

The economic crisis, along with its negative effects, has created an effective impetus for the implementation of much needed change. Almost every company is now experiencing a market slowdown, which creates a perfect opportunity to look into the internal management reserves in order to be prepared for the next period of upcoming growth.

The so called 'silent killers', such as, complicated management structures, ineffective communications and reporting systems and the lack of corporate culture awareness among employees are hitting companies even more than the financial crisis itself. Therefore, the crisis should be considered as a change initiator, not as a company freezer.

Companies who operate on the basis of the creation of real value by effectively and efficiently transforming inputs into outcomes will have a better chance to further strengthen their market position. Companies that will not change and fail to align their operations with long term, strategically sound initiatives have little chance of future success.

Management frequently tries to find ways of enhancing effectiveness through operational excellence. This explains the expanded use of such techniques as Six Sigma, Lean and TQM, etc. Process optimization and reengineering projects have also been launched within many companies which have resulted into the automation and human factor errors. Still, companies within the CEE region have not yet fully understood the importance and drive that human capital and effective strategic management can add to their overall efficiency.

Given the harsh economic environment organizations face, their future is dependent on sound decision-making and an ability to execute strategy. When implemented and aligned with people, processes, and technology, a vigorous management system can transform the organization into a powerful decision-making engine, maximizing business performance. Those few organizations with an effective system of strategy execution are more likely to outperform the competition, gain competitive advantages and achieve growth even during these times of hardship.

Performance improvement initiatives should flow down from the leadership, but organizations should also encourage and promote a bottom-up approach. An effective managerial tool known as Balanced Scorecard (BSC) equips the organization with the effective means of translating the management strategy into the daily operational activities. It sets and promotes organizational vision and mission, covers all perspectives of the organizational management (customer, processes, finance, employee growth), sets the key performance indicators (KPIs) and enables employees to see themselves within the broader organizational context. BSC makes strategy happen, represents a holistic performance management system and is the dominant performance management philosophy.

Solutions within Balanced Scorecard may be IT supported. It is recommended for medium and large organizations with more than 50 employees. For smaller companies, Balanced Scorecard, as a performance management system, could be implemented without dedicated IT solutions, making the BSC approach accessible for the all types and sizes of organizations.

While touching upon the issues of the performance improvement, one cannot neglect the embodied resistance to change that resides within any organization. People tend to think that the old way of doing things is the best way, but the effective approach to overcome such a resistance is to use the 'Unfreeze – Movement – Refreeze' approach, where organizational and people values are challenged and empowerment and involvement is promoted. Implementation of the performance management approach is interconnected with much deeper organizational changes. Performance improvement promotes employee involvement, the establishment of the correct business principles, healthy working relations and employee satisfaction; all are the components of the corporate culture.

Companies with a strong corporate culture have proven that are better able to endure an economic crisis as it provides employees with empowerment, acceptance of change, high morale and values and the clear strategic direction. Culture plays an even stronger role during the period of crisis as it promotes the continuous innovation that leads towards the sustainability and the growth desired by any company or organization.

In summary, the implications of the crisis have to be considered as a 'company challenging elements' and not as a 'company freezing elements'. Those organizations who manage to effectively execute their strategies and enhance their performance will have a much higher chance to succeed in the market in the future. The holistic performance management system as the Balanced Scorecard, could bring improvements through the re-establishment of organizational behavior and the re-examination of the organizational culture.


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