

# How Healthy Medium-Sized Companies Deal With the Crisis and Prepare Themselves for the Future

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An Expert Report With Recommendations for Action  
- From the Practice for the Practice

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Preface

How do good, healthy medium-sized companies deal with the Corona-related shutdown? How adaptable are they and what measures do they take to prepare for the time after the crisis?

We discussed these and other questions in the beginning of April 2020 with 12 selected companies of the "good" SME sector. Internationally operating companies with 500 to 15,000 employees were surveyed. The participants examined crisis management from the perspectives of different industries, roles and organizational structures, which, despite all the differences in their business, reveal common patterns. This paper summarizes the central results of the written survey and combines them with our experience and observations from the field.

We would like to thank the companies who were willing to share their experiences with us and thus made the creation of this expert report possible.

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# Management Summary & Recommendations for Action

The good medium-sized companies are **robust** enough to **withstand** crises of this kind. Nevertheless, none of us were well prepared for this situation. The **distributed management** required a lot of us. Not least because there are **no good systems** apart from XLS, PPT and e-mail for **crisis management**.

SMEs expect the crisis will have **massive impacts on their business**. Naturally, the focus at the beginning of the crisis was on sales, costs and liquidity. Nevertheless, companies leave **no doubt** about their **business models** and are confident about their **ability to adapt and change quickly**.

Although the **consequences of the crisis** are still **uncertain** and **information** for decisions is sometimes **missing**, sleeves are rolled up and the crisis is also used for change.

The majority of companies already initiate activities during the shutdown that go beyond pure crisis management. The focus here is on **portfolio optimization, digitization initiatives** and **customer relations**.

Less than half of the participants use **future scenarios** systematically and compare them with **business planning**. The process is not an easy one, especially since SAP and Excel are mainly used as tools that reach their limits in supporting strategic planning.

In summary, the good SME sector in the crisis builds on its deep-seated roots and special strengths, which in the end also distinguish it: stand close together, roll up your sleeves, tackle the problem pragmatically and look ahead. Even if the energy required to do so costs a lot of energy.

## 6 Recommendations for Action in 2020 to Successfully Master the Upcoming Transformation

We are at the beginning of a far-reaching transformation of the economy, which will affect almost all sectors equally. Some of the critical conditions for success that need to be created are as follows:

1. Identify the risks with regards to the business model

4. Rethink objectives and ensure alignment with activities

2. Critically evaluate and realign the initiative landscape using scenarios

5. Promote networking across areas and topics

3. Using diversity and activating the collective intelligence of the company

6. Using momentum and create strategic agility



# The Foundation of the Expert Report

## Combination of Medium-Sized Business Reality and Our Observations

### **PRACTICAL EXPERIENCE**

Experience of healthy, internationally operating medium-sized companies dealing with the Corona crisis. A hand-picked cross-section of 12 companies that are among the most successful in their industry.

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### **OUR OBSERVATIONS**

Our market analyses and experience from consulting practice with international medium-sized companies.



### **SUMMARY & RECOMMENDATIONS FOR ACTION IN 2020** (page 14 onwards)

Which relevant topics should be rethought and changed in uncertain times? How can we use the crisis as an opportunity?



## Good Mix of Industries and Functions

12

Companies of the Good SME Sector



Corporate Strategy  
M&A  
Business Development  
Portfolio Management  
Strategic Controlling

500 – 15.000  
Employees

Centralized &  
Decentralized  
Organization and  
Mixed Forms



International



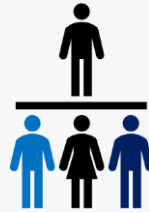
Finance & Insurances  
Construction Industry  
Healthcare  
Telecommunications  
Food Industry  
Electronics etc.

# Business Massively Affected – Business Model Only Partially

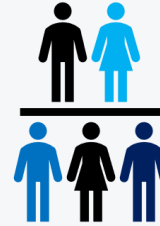
# 92%

of the surveyed companies  
estimate the impact as  
significant to massive

Question: How do you assess the impact of  
the Corona crisis on your business as a  
entirety?



expect changes of the  
business model in parts



see no or only minor  
changes of the business  
model

Question: Will the crisis result in significant  
changes to your business model?

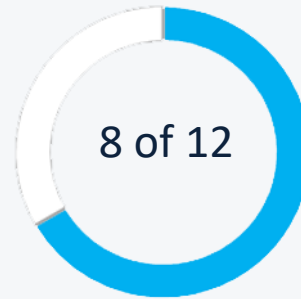
## OUR OBSERVATIONS

A good sense of business and a fundamentally functioning, solid business model are success factors for German-speaking SMEs. Although no massive direct changes to their own business model are expected, the Covid 19 crisis has reinforced the need to move digitization initiatives forward even more quickly and with more force. Why? Quite simply because it is the only way we can increase our speed of response to unexpected events.



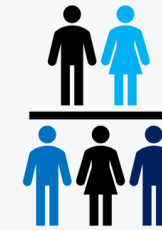


# The Picture of the Impacts Is Unclear and the Right Information for Decisions Is Sometimes Missing



companies have an unclear picture of the expected opportunities and risks.

Question: Do you have a clear picture of the risks and opportunities arising from the crisis?



of companies have insufficient information to make the right decisions.

Question: Do you have enough information available to make the right decisions?

## OUR OBSERVATIONS

In times of crisis, the focus is naturally on the operational business: the short-term protection of sales and liquidity, keeping an eye on costs and ensuring the functioning of the supply chain. In this phase it is plausible that the picture of potential opportunities and risks is rather unclear. The same applies to the uncertainty involved in making all the decisions. Complex structures and markets mean that there is a chronic deficit of information - especially when decisions have to be made quickly on a robust and justified basis.







## OUR OBSERVATIONS

The crisis entails elaborate and complex processes of collection, evaluation, decision and distribution. The ongoing assessment of the status quo, the assessment of potential disruptions to operational performance and other qualitative as well as quantitative information needs to be collected directly from the "crisis front", condensed, evaluated and good decisions made in short cycles.

Surprisingly, SAP and Excel are still the leading tools used to support these complex processes.

## Old Friends – Because (Almost) Everything Works With Excel



Question: How do you proceed when collecting information? Which tools do you use?



# Future Scenarios And Alignment With Business Plan: Big Improvement Potential On The Process

# 41%

of the surveyed companies systematically prepare for future scenarios and align them with their business planning.

Question: Are you systematically preparing for different future scenarios? Do you continuously align them with your business planning?

## OUR OBSERVATIONS

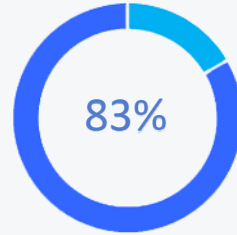
The systematic mapping and calculation of different future scenarios and the ongoing comparison with business planning are the supreme disciplines in the management of a business. Many good companies find this difficult. The reason is simple: Calculating a complete business is complex, time-consuming and requires a robust database. To simulate potential changes, reliable and consistent data sources are required. Even in good medium-sized businesses, less than half of the companies dare to approach this topic systematically.

In **none** of these companies does the alignment work well.

Question: How well does the alignment with business planning work?

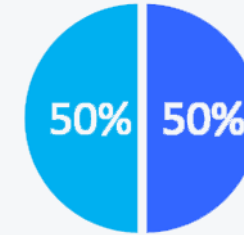


## Needed, but Not Necessarily Missing



of the companies do not have a system that makes the crisis activities transparent.

Question: Is there a system in place to make the organization's crisis-related activities more transparent to stakeholders in the company?



Whether the missing of a system is problematic divides the surveyed companies into 2 groups.

Question: Would you consider this a problem?

### OUR OBSERVATIONS

Even among the good medium-sized companies, the flow of information and feedback for the management of a crisis takes place with the familiar onboard tools. After all, 50% of those surveyed see this as an obvious problem. We are only at the beginning of a relevant technological development here. Namely to have systems available that support management tasks digitally, globally and in a networked way. Especially in difficult times, the gaps in this are becoming apparent.

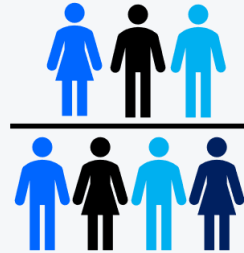


# Positive Corona Effect: High Readiness for Change and Confidence in Adaptability



of the surveyed companies are using the crisis for change.

Question: Are you using the crisis to initiate changes in business that go beyond direct crisis management?

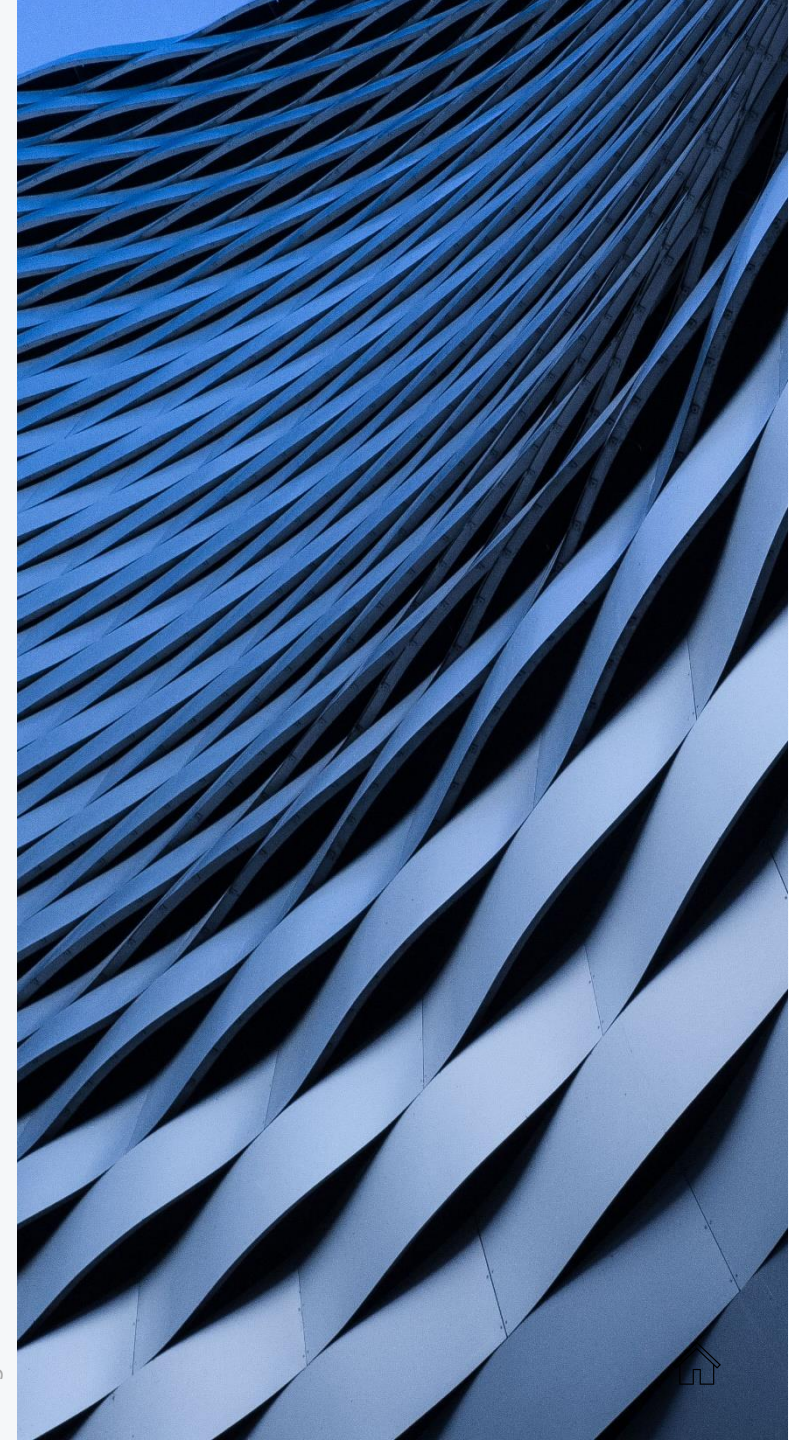


of the participants attest their company a good or average adaptability.

Question: How well do you assess your organization's ability to adapt quickly to new circumstances and respond quickly to change?

## OUR OBSERVATIONS

As expected, with foresight, the good medium-sized companies succeed in initiating changes in business even during the crisis. Although they do not expect any significant changes to the business model, they use the situation for optimization and change. In doing so, they mostly rely on the agility of the company to adapt quickly to changing circumstances and changes. Healthy medium-sized businesses are able to initiate changes quickly and adapt to new circumstances.



## Digitization, Customer Relations, Portfolio Optimization

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Question: Which activities are you driving forward in the coming months to prepare for the post-crisis phase?

### OUR OBSERVATIONS

The crisis reveals weaknesses and opportunities that require action. One aspect is digitization and the availability of systems for rapid information retrieval and evaluation in order to better respond to changes.

Systematic portfolio management and opportunity & risk analysis are also on the agenda.

A clear focus is on customer relations, which continue to be a key success factor.



# 6 Recommendations for Action in 2020 to Successfully Master the Upcoming Transformation

The Initial Hypothesis Is That:

We are at the beginning of a **far-reaching transformation of the economy**, which will affect almost all industries equally. This transformation is accompanied by **high volatility** and **uncertainties** in the **markets** – but also by **uncertainties within** our **companies**.

After long **periods of stability** in many sectors, a **period of instability** is now following.

We will therefore have to develop the **willingness** to **move** from the familiar and cherished stable state of the past years, through a **crisis-like disturbance**, to a **new stable state**. In this phase of transition, we will have to be prepared for the fact that this will require a great deal of effort and that we will no longer be as efficient in parts as we were in the old pattern.

However, we are investing this price to achieve new stability. In order to master **the transformation successfully**, a few **conditions** have to be created.

Based on the answers of the good medium-sized businesses, our observations, research and experience, we have compiled **6 recommendations for action** that can create a robust basis for successful transformation.





## Conclusion

# 6 Recommendations for Action in 2020

## 1. Identify the risks with regards to the business model

A crisis disruption always offers opportunities. At the very least, there is the opportunity to **review one's own business model** – especially with a view to further **digitization**. This relates above all to the digitization potential of our **distribution channels**, in **customer relationships**, in the range of **services offered** and upstream towards **suppliers** and **partners**.

## 2. Critically Evaluate & Realign the Initiative Landscape Using Scenarios

A crisis is an excellent opportunity **to rethink our existing initiative landscape**. A **balanced portfolio of initiatives** is critical to success if we are interested in sustainability. Why? The high level of networking and increasing dynamics in the markets make it impossible to correct strategic mistakes at an early stage with reasonable effort after the crisis. Here, it is important to avoid one-sided optimization by focusing too much on operational data.

[See blog article](#)

## 3. Using Diversity & Activating the Collective Intelligence

Volatility and uncertainty in the markets remain our companions. We need to put **information gathering** and **condensation** on a **broad footing**, **remove barriers** to successful implementation at the front lines **and increase the ability** of our people to change globally. To achieve this, we must actively use or activate the existing diversity and immense knowledge within the company. And we must do this directly at the source, in our markets - where the business "happens".



## Conclusion

# 6 Recommendations for Action in 2020

## 4. Rethink Objectives and Ensure Alignment With Activities

Objectives become **more important** in uncertain times. They are the **basis** for the **operationalization of the strategy**. It is not quantity that counts, but quality. We must move away from fixed target systems to **shorter, more dynamic target dialogues**. Initiatives and contributions of each individual must be **related to the objectives** and made **transparent**. A well-organized, continuous target dialog ensures greater agility and implementation power.

## 5. Promote Networking Across Areas and Topics

The period during the Corona crisis has shown us how important **networking** is in our companies along our **key initiatives**. And how fixed structures and hierarchies ultimately slow us down. Only through networks we are able to successfully master volatile and uncertain times. The first step in **promoting networking** is **not to prevent networking**. For the management, this also means giving up some of the power.

## 6. Using momentum and create Strategic Agility

In almost all industries, there has been a momentum of **increased willingness to change** in recent months. We run the risk of letting this momentum gradually fade away and of following the urge to return to our own pre-crisis situation. The current phase is an excellent time to clean up, get rid of ballast and **systematically collect waste**. On the other hand, we have the great opportunity to make **lasting changes in strategic management**, to link **measures, objectives and results** through feedback loops and thus create a **new quality of strategic agility**.



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