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МОЛОДИХ УЧЕНИХ,
АСПІРАНТІВ І СТУДЕНТІВ**

*“Наукові здобутки молоді –
вирішенню проблем харчування людства
у XXI столітті”*

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71. Enterprise adaptation to changes in the market environment

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Introduction: Today's pace of change in business conditions may or may not be unprecedented, but it is surely spectacular. But like most things in business, rapid change is a two-edged sword - a threat but also an opportunity. Adapt to rapid change better than competitors and you can make great strides; ignore rapidly changing circumstances and expect to go the way of the dinosaur. Adapting may be difficult, but it is not impossible. Change puts a premium on adapting; the faster the pace of change, the greater the premium. Take away change and there is no need to adapt; if it worked yesterday, there is every reason to believe it will work today.

Resources and methods: In the New Economy, everything changes faster: demand, supply, product prices, employment, production, investment, inventories, interest rates and exchange rates. In one quarter the economy is booming; the next quarter it is on the brink of recession. The problem of enterprise adaptation to changes was studied by different scholars (John S. McCallum, P. Borowski).

Results: Thus, finance, politics and society complete the change whirlwind. A blizzard of new securities and portfolio strategies have combined with 24-hour-a day, worldwide trading and instantaneous information to make financial markets more efficient and much quicker to adjust, but also more volatile and more focused on the short term. Global trade growth is breathtaking, countries are opening up in exchange for reciprocal access, international alliances abound, transportation costs are coming down, and everyone in a global industry is everyone else's competitor. There are certainly signs that an enterprise is having trouble responding to its changing environment. Effectively adapting to rapid change must be a relentless, day-to-day activity.

1. Force the pace of adapting. Firms must be proactive in adapting; it will not happen if executives do not make it happen. Snoozing your way to complacency is not a recipe for a competitive, high-performance enterprise. Adapting involves change, and most people resist change as if it were a plague. Put adapting at the top of the agenda.

2. Resist denial. Denial is a psychological state where the afflicted refuse to accept a harsh reality. The belief that all will be well in the enterprise if you just give it time is a sure sign of denial. Another sure sign is the belief that business conditions have not changed, or at least have not changed enough to matter. Denial has no place in the running of an enterprise.

3. Understand business conditions. Only luck will save those whose efforts to adapt are based on a misread of the business environment. Time that executives spend understanding trends in technology, economics, trade, politics and society is time well spent. Future business conditions are never certain, but study and good advice can increase the odds of getting the future right.

4. Manage finances prudently. Adapting effectively to rapid change takes serious money. Enterprises with weak balance sheets and/or a bad profile in the investment community will find money both expensive and difficult to get. Adapting is unlikely to work if it is built on a foundation of excessive debt and poorly matched assets and liabilities with respect to maturities and currencies.

5. Benchmark relentlessly. If your enterprise is losing ground in product, quality, service, customer satisfaction, unit cost and profitability comparisons with competitors, it may mean they are adapting better. Benchmarking is one of the best and earliest indicators of trouble in adapting.

6. Watch for and deal with executive burnout. The best antidote for rapid change is competence, focus and energy in the executive suite; the tired, cynical and stubborn can do huge damage fast. Dealing fairly with spent executives is expensive, but those costs pale beside the costs of letting burned-out executives pilot the ship through rapid change. Executives approaching the 10-year period in the same job especially should be monitored.

7. Restructure to adapt. In times of rapid change, be especially sensitive to structures that stifle initiative and innovation, frustrate communication and reward process over performance and output. Enterprises ignore structure at their peril; the trouble is, structure is easy to ignore because a poor structure is not as obvious in an immediate crisis.

8. Manage the enterprise's risk agenda. The faster the pace of change, the more important it is to manage risk. Change increases risk, often exponentially. Managing risk begins with understanding the exposures. You cannot mitigate risks that you do not understand.

9. Ethics and governance. Rapid change exposes dubious ethics and poor governance. Rapid change creates urgency and pressure; firms that are not properly grounded struggle accordingly.

10. Do not minimize the importance of a small step. A step in the right direction is far more important than one big step. The adage applies equally to business during periods of rapid change. It does not take many small steps to leave an enterprise substantially better adapted if the steps are all in the right direction. Over time, a small step in the wrong direction will be magnified many times.

11. Look for opportunity. For the organization that is well managed, well financed, responsive and nimble, rapid change is just what the doctor ordered. Opportunities abound. Rapid change puts everything up for grabs.

Conclusions: Enterprises should assess their capacity to adapt; where it is wanting, they should take immediate and aggressive action. A leisurely approach to change will not work in this business environment.

References

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