

Is “solid” a discontinued model? – Part 1

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Is the party over? After record figures in recent years, more and more voices are warning about a noticeable cooling of the economy. Even the dirty word “recession” is doing the rounds. But how can companies prepare for this - especially in export-oriented industries such as mechanical engineering? Which companies will best survive the next crisis? My theory is that the “solid” companies won’t necessarily be among them, but the brave and the agile will.

There are plenty of signs that the economy in Europe and Germany is getting into difficult waters: be it the IFO Business Climate Index, the latest forecast of the [German Ministry of Economic Affairs](#) or simply the fact that we are currently in the second longest period of economic expansion in the last 161 years, which experience shows will come to an end at some point. In addition, there are worrying developments at the political level, ranging from Brexit to the imminent trade conflict between the USA and China to the stronger trend towards protectionism in numerous countries worldwide.

You don’t have to go as far as Henrik Müller of Spiegel Online, who sees the entire German export model as finished. But you don’t have to be a downright pessimist to notice a few economic developments that are likely to pose challenges for export-oriented sectors like mechanical engineering. The crucial question is: How do companies deal with these challenges? Which ones are best prepared for possible crises? And which ones might even benefit?

What does the future look like in mechanical engineering?

Every crisis is unique – and every crisis requires different measures and characteristics. So far, a certain down-to-earth attitude has been one of the strengths of German mechanical engineering companies. But what about the next crisis? How do highly specialized hidden champions react when their usual sales markets shrink, when they are confronted with new competitors or when their traditional niche becomes superfluous due to start-ups or new technical developments? My view is that mechanical engineering companies that want to emerge stronger from the next crisis need these qualities:

- Mechanical engineering companies with a future think and act holistically and know that for their products and services to be successful, it is not enough for them to be technically feasible. It is also crucial that they serve a genuine need in the market and that they are economically viable.

- Mechanical engineering companies with a future have learned from start-ups – and developed a corresponding innovation culture and an agile mindset. They don't just talk to their customers – they have a deep understanding of them. They know what their customers need – not today, but when the new product comes onto the market. At the same time, they are agile enough to react quickly to customer and market needs. This can also help them to use crises to bid farewell to obsolete offers or products.
- Engineering companies with a future have prepared their infrastructure to be more flexible, to collect and process more data and to exchange information with other actors within the framework of ecosystems – without neglecting the aspect of security. Steps towards OT/IT integration should already have been taken –after all, this is an essential factor for the competence of a data-driven innovation culture. In our experience, many companies underestimate the effort involved in modernizing the existing IT infrastructure and application world for the integration of digitisation projects.

Is digitisation the solution for mechanical engineering?

Many of these properties can also be by-products of digitisation projects. Mechanical engineering companies that have done their “homework” in this area in recent years are therefore at an advantage. Against this background, it quickly becomes clear that the tendency to skimp on innovation and digitisation projects first can be fatal in today's world.

Companies that react in this way and focus on their supposedly solid core business will be the first losers of the crisis. The future of mechanical engineering belongs to agile companies that are courageous enough to adapt to new challenges. Here it is not so much a matter of taking one big step as of gradually getting a good number of innovation projects on the road to success.

But even these companies must not rest on their laurels if they want to be well prepared for possible crises. The above characteristics only make it easier to react to challenges. However, they do not yet guarantee that companies will actually take advantage of the opportunities that present themselves. The second part of this blog post, which will appear here at the end of February, tells you what action mechanical engineering companies can already take today.

If you want to be notified when the second part of this blog post appears, please [click here](#).