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It will take years to build the ``new global financial architecture'' that President Clinton and other officials want, but business leaders can't wait that long. Facing slower growth around the world, volatile markets, and fierce competition from products priced in cheap currencies, many CEOs are restructuring their companies. Their efforts, however, are likely to fall short of what's needed.

Some companies, such as Raytheon and 3M, are announcing big cost-saving layoffs. This may please Wall Street, but pink slips do nothing to improve a company's products and sales, and they can destroy morale and productivity.

Other companies, such as Daimler and Chrysler, are merging to achieve global scale. But the sheer effort needed to mesh corporate cultures and operating systems can drain energy from the push to improve overall competitiveness.

A third group is on a more promising track--restructuring internal operations to make them more nimble. These companies are asking such questions as: How do you eliminate unnecessary layers of supervision? How do you reduce development costs and get products to market faster? How do you strike the right balance between being global and local?

Even before the current financial turmoil, for example, Ford, responding to rapid changes in the global economy, began to implement a major reorganization. In 1994, it announced its plan to sell essentially the same cars around the world. It ended competing regional fiefdoms by consolidating engineering, design, and development within new global divisions.

Motorola, facing fierce Asian competition and falling profits, announced a plan with similar features last July, replacing many decentralized and competing businesses with three distinct global groups focusing on retail customers such as cell-phone users, telecommunications companies, and government and industrial clients.

Last month, Proctor & Gamble initiated the broadest overhaul in its industry, transforming four business units based on geographic regions into seven global entities based on product lines like Baby Care or Food & Beverage. Every change is designed to get P&G closer to its customers and to provide products to the market more quickly. Reporting lines have been vastly simplified, and executive compensation has been aligned with new goals.

Ford's reorganization is the only one with enough history to measure results. Development costs in 1997 were reduced by $3 billion, and the first American/European-made and-designed car will soon be selling on both sides of the Atlantic. But Ford and other auto makers are now operating in a marketplace that has suddenly become much more treacherous, and they may have to take further steps. Even companies known for their global prowess, including ABB, with its entrepreneurial and global management teams, and Royal Dutch/Shell Group, with its sophisticated global scenario planning, are having huge problems.

CHAOTIC WORLD. For them and others, planning is full of daunting uncertainties. No CEO could possibly know if Japan will take one year or 10 to recover or if and when massive infrastructure projects in emerging markets will come onstream or whether the growth of a global free market will be disrupted by currency controls, debt defaults, and protectionism.

In this chaotic international environment, companies will be forced to go beyond streamlining and a one-time structural overhaul. Toyota is an intriguing example. Like Ford, it has opted for standardizing models for efficient production and sales anywhere. But in reaction to the recent collapse of demand for cars in Asia, the Japanese auto maker is also retooling factories in the region so that each can not only serve local markets but can also export from those same bases to whatever countries are growing at the time. And instead of laying off workers, Toyota is retraining them.

Many of the strategies that may look far-reaching at the end of 1998 will have to be just a prologue to continuous restructurings in the future. The premium will be on what Toyota is emphasizing: extreme flexibility, built-in contingency planning, and intensive focus on developing new skills for management and for the workforce. The winning plans will require more stretching than anything CEOs have attempted in their professional lives.

The warning of Intel's Andy Grove that ``only the paranoid survive" was never more apt. But fear alone won't be enough. Some bold risk-taking--more than we have generally seen thus far--will be essential.

BY JEFFREY E. GARTEN,CUTTING FAT WON'T BE ENOUGH TO SURVIVE THIS CRISIS,
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