

## Squeeze fuels vain quest for company change

By Jonathan Moules

Most senior executives in large British businesses are responding to the credit squeeze by increasing spending on “change programmes” – many of which seem doomed to fail, according to a study by the Economist Intelligence Unit.

The EIU interviewed senior executives drawn mainly from companies with revenues in excess of \$500m (£254m), and found that 57 per cent had planned change programmes as a direct response to the credit crisis.

The programmes involve training employees in new ways of working.

About 40 per cent of those surveyed said they planned to increase their spending on change initiatives over the next 12 months, and only 12 per cent said they would be spending less.

The search for efficiency is driving the trend, with 64 per cent of those questioned saying that improving operational efficiency was at the top of their agenda.

Forty-three per cent said they were interested in

increasing revenues, while 58 per cent wanted to cut costs.

Ian Clarkson, chief executive of Celerant Consulting, which commissioned the research, said: “A slowdown always puts the question of ‘How do we respond?’ on the table, and frequently the answer becomes, ‘We need change.’”

The EIU also found that UK business leaders tended to spend more money on change initiatives than their counterparts abroad.

Its research included comments from 607 senior managers across 10 countries in Europe and the US. British companies included in the survey had spent, on average, £5.43m on change initiatives in the past year, or 36 per cent more than the international average.

However, most British change programmes appear likely to fail, according to the EIU report. Despite the growing number of such programmes, 64 per cent of UK respondents said that half or fewer of those they had undertaken in the past five years had been a success.

Colin Sempill, head of strategic change at Scottish-Southern Energy, who was interviewed for the report, said: “A programme to create value is a lot more fun for people.

“If you are purely cutting costs, it is tougher to get people engaged around it.”

The report concluded that companies needed to get the basics right – through good communication, leadership and planning – to convince employees of the benefits of change.

Mr Clarkson said change initiatives often failed because they did not have clear objectives at the start and their aim was to achieve change rather than deliver results.

“Companies fail in the execution of change initiatives because they are unable to win the hearts and minds of employees at all levels of their organisation,” he said.

“This happens when people do not trust their managers or understand what values the management team stands for. Too often, a change programme is seen as an excuse to make people redundant.”