

Press release

Leaders in the automotive sector respond to downturn by ramping up internal change

London, 29 May 2008 – More than four in five leaders in the automotive sector are responding to the credit crunch by increasing spending on change programmes, new research commissioned by Celerant Consulting reveals.

A survey of over 600 senior executives across Europe and the United States, carried out by the Economist Intelligence Unit, reveals that well over four in five (85%) of leaders in the automotive sector say their change programmes – structured approaches to implementing and managing change within a company – are a direct response to the credit crunch, the highest of the sectors studied as part of the research. Accordingly, over a third (37%) of automotive leaders plan to increase their spending on change initiatives over the next 12 months, but 30% intend to spend less, the highest of any sector.

Search for efficiency drives change

The quest for reducing costs is driving change programmes, with over two thirds (70%) of leaders in the automotive sector stating this as their top priority. This is the only business sector surveyed for which cost reduction topped the survey, with all the others citing the quest for operational effectiveness as their top reason. This reason was cited by almost twice as many people than those who assigned increasing revenue (30%) as their top driver for change.

Doomed to failure?

Despite the increasing number of change initiatives, the Economist Intelligence Unit survey suggests the majority will fail. 65% of leaders in the automotive sector questioned said that half or fewer of the change programmes they have undertaken in the past five years have been successful. The most significant challenges faced by automotive companies in executing change programmes include winning the hearts and minds of staff (48%) and a lack of buy-in from local management (31%).

Automotives near the top of change spending league

Despite suffering a high failure rate, leaders in the automotive sector spend more than many other sectors. The average expenditure of \$8.3 million by automotive companies in the last year was second only to telecoms (\$9.3m), and above the average of \$7.8m.

Stephan Orth, Head of Country, Germany at Celerant, said: "It comes as no surprise that leaders in the automotive sector plan to respond to the global slowdown by launching more change programmes; the credit crunch provides the burning platform needed if you are going to bring about successful change that delivers real impact to the bottom line."

"Yet as leaders themselves admit that the majority of such initiatives do not work, what should they do to ensure they successfully manage the process of change?"

"Our survey shows that automotive 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. 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."

"The reason that over half of all these initiatives fail is that they do not have clear objectives at the start and their aim is to achieve change, not deliver results – too often it is activity for activity's sake."

"In order to successfully deliver change, leaders need to inspire people with a sense of urgency, have a clearly communicated vision and plan and continually motivate staff. As change management becomes part of day-to-day management, only those leaders who can successfully execute it will survive and flourish."

Professor John Kotter, of Harvard Business School, said: "In a typical large change programme, it is not a matter of sending out the new organisation chart or the new strategy with a few projects. It is about changing people's behaviour, often a lot of people, and this is not trivial."

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Notes to Editors:

1. The EIU interviewed 617 senior managers across ten countries in Europe and the United States between 21 March and 18 April 2008. 69 respondents work in the automotive sector, across each of the countries. All of the firms in the survey are large, having annual revenues in excess of US\$500m.

About Celerant Consulting

Celerant is the largest independent global firm working in the operations management sector of the consulting market. It delivers operational transformation and helps leading companies worldwide achieve and sustain world class performance from their business operations.

Celerant's difference is simple: it believes that once it has fixed a problem for a client, it should stay fixed. The essence of Celerant's approach is that its consultants work side-by-side with people in the front lines of business – from the boardroom to the shop floor – to ensure the delivery of sustainable and measurable benefits. Celerant embeds long-term behavioural change into the culture of its clients' organisations – the key to sustainable change – a unique approach called Closework®.

Last year Celerant delivered over €600m/\$1bn in annualised sustainable savings to its clients and over the last 20 years it has become the largest independent firm of business operations consultants, with annual revenues of over €110/\$170m in 2007.

For more information visit www.celerantconsulting.com

About the Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of The Economist. Through our global network of about 650 analysts, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

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