

Press release

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

London, 29 May 2008 – Almost two-thirds of leaders in the energy 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 almost two-thirds (62%) of leaders in the energy sector say their change programmes – structured approaches to implementing and managing change within a company – are a direct response to the credit crunch. Accordingly, almost half (46%) of energy leaders plan to increase their spending on change initiatives over the next 12 months, while only 15% intend to spend less.

Search for efficiency drives change

The quest for operational efficiency is driving change programmes. Over half (58%) of leaders in the energy sector say that improving their company's operational efficiency is the top issue on their agenda. In contrast to other sectors, the next most common priority is preparing for future growth / challenges (47%). This, along with the fact there was only a small gap between those planning to reduce revenues and others planning to increase market share (33% vs. 25%), suggests the energy sector is being less affected by the credit crunch than other sectors.

Doomed to failure?

Despite the increasing number of change initiatives, the Economist Intelligence Unit survey suggests the majority will fail. 58% of leaders in the energy 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 energy companies in executing change programmes include winning the hearts and minds of staff (53%) and a failure to implement the agreed business strategy (32%).

David Smith, Vice President, Energy at Celerant, said: "It comes as no surprise that leaders in the energy 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 energy 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."

-Ends-

For more information or interviews please contact Enda Joyce at hanover on 020 7400 4480 or Clint Witchalls at the EIU on 020 7576 8243.

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. 108 respondents work in the energy sector, across each of the countries. Most of the firms in the survey are large, as 99% have 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.

For more information visit www.eiu.com