

Press release

Business leaders respond to downturn by ramping up internal change

London, 29 May 2008 – Almost two-thirds of business leaders are responding to the credit crunch by launching new 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 of business leaders (65%) say their planned change programmes – structured approaches to implementing and managing change within a company – are a direct response to the credit crunch. Accordingly, over a third (37%) of leaders plan to increase their spending on change initiatives over the next 12 months.

Search for efficiency drives change

The quest for operational efficiency is driving change programmes. Over half (57%) of business leaders say that improving their company's operational efficiency is the top issue on their agenda. In a further sign that the credit crunch is impacting on corporate behaviour, reducing costs (47%) is seen by these same executives as being significantly more important than increasing revenues (32%).

Doomed to failure?

Despite the increasing number of change initiatives, the Economist Intelligence Unit survey suggests the majority will fail. 58% of business leaders 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 companies in executing change programmes include winning the hearts and minds of staff (51%), overcoming a lack of buy-in from local managers and a failure to implement the agreed business strategy (both 31%).

Ian Clarkson, Chief Executive at Celerant, said: "A slowdown always puts the question of 'how do we respond?' on the table – and frequently the answer becomes 'we need to change'."

“Yet many leaders themselves admit that the majority of change initiatives do not work; what should they do to ensure they successfully manage the process of change?”

“Our survey shows that 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.”

Ralph Hargrow, Global Chief People Officer at Molson Coors Brewing Company, said: “Change for the most part is personal. You have to speak to people personally, to have them understand and embrace the promise of change, personally. That requires a lot of work. Broadly speaking, the easier it is for individuals to understand and embrace the personal benefit of a change for themselves, the easier it is to win their hearts and minds. The more difficult it is to paint a vision of that promise, the more difficult it is to effect and embrace such change.”

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Notes to Editors:

1. The EIU interviewed 607 senior managers across ten countries in Europe and the United States between 21 March and 18 April 2008. They represent the following sectors – manufacturing, telecommunications, energy and natural resources, chemicals and automotives.
2. Most of the firms in the survey are large: 98% have annual revenues in excess of US\$500m.

3. 11% of those questioned said their spending on change programmes will be “significantly higher” over the next 12 months, while a further 26% said it would be “somewhat higher”. Only 20% said they planned to spend less in the next 12 months (15% “somewhat less” and 5% “significantly less”).

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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