

Press release

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

London, 29 May 2008 – Two thirds of leaders in the manufacturing 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 two thirds (65%) of leaders in the manufacturing sector say their change programmes – structured approaches to implementing and managing change within a company – are a direct response to the credit crunch. Accordingly, a third (33%) of manufacturing leaders plan to increase their spending on change initiatives over the next 12 months, while 21% intend to spend less.

Search for efficiency drives change

The quest for operational efficiency is driving change programmes. Just over a half (54%) of leaders in the manufacturing sector say that improving their company's operational efficiency is the top issue on their agenda. The next most common priority was creating a new organisational structure with new roles (44%). The manufacturing sector sees reducing cost as significantly more important than increasing revenue (49% v. 33%), figures which are broadly in line with the survey as a whole (47% v. 32%).

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 leaders 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 manufacturers in executing change programmes include winning the hearts and minds of staff (53%) and a lack of buy-in from local management (30%).

Manufacturing sector middle of change spending league

Although they recognise the high possibility of failure, the survey suggests that leaders in the manufacturing sector are still prepared to spend money on change initiatives. The average expenditure of \$7.7 million by manufacturers in the last year was roughly in line with the global average of \$7.8 million.

Mike Atkinson, Vice President, Analysis at Celerant, said: "It comes as no surprise that leaders in the manufacturing 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 manufacturing 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. 87 respondents work in the manufacturing sector, across each of the countries. Most of the firms in the survey are large, as 98% 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.

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