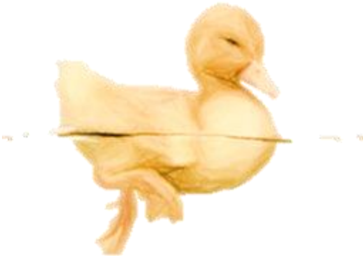

DUXINAROE

CHANGE FAILURE STATS

EXTRACTS FROM STUDIES CARRIED OUT GLOBALLY ACROSS FOUR (4) DECADES.

Over 60% of change efforts fail
McKinsey Quarterly 2006 & 2008

Change initiatives fail 70% of the time
Miller 2002

64% failure rate in municipal public service programs
Yin 1978

Major corporate investments are abandoned within six months, 80 per cent of the time
Gartner Group 2002

75% of change efforts fail completely or threaten the survival of the company when neglecting culture
Cameron & Quinn 1999

Most change programs fail, but the odds of success can be greatly improved by taking into account counterintuitive insights about how employees interpret their environment and choose to act
McKinsey 'The irrational side of management' 2009

"83% of all mergers and acquisitions (M&A's) failed to produce any benefit for the shareholders and over half actually destroyed value"
KPMG 1999

Interviews of over 100 senior executives involved in 700 deals over a two-year period revealed that the overwhelming cause for failure "is the people and the cultural differences".
KPMG 1999

Experts say that **organisational culture is formed from between 80% and 90% of employee behaviour**, **determined by the way leaders act** and address ... what the organisation attends to, measures, rewards and controls; critical incidents and the approach to role modelling and coaching actions.
Human Capital Institute & Towers Perrin joint white paper 2007

The greatest barrier to successful integration is cultural incompatibility. Undervaluing or ignoring the human dynamics related to an M&A transaction can prompt the departure of key talent… among the assets that made the acquisition attractive…
Author of 'Done Deal' Beth Page 2006

Post-M&A organisational cultural change

is a traumatic experience for organizational members. It generates resistance and contributes to M&A failure.

Manchester Business School 2007

A study of 100 companies with failed or troubled mergers, 85% of the executives polled said that differences in management style and practices were the major problem.

Coopers & Lybrand 1992

Surveyed executives involved in a number of acquisitions concluded, "The major factor in failure was the underestimation of difficulties of merging two cultures".

British Institute of Management 1996

Kotter and Heskett's landmark study, 'Corporate Culture and Performance,' documents results for 207 large U.S. companies in 22 different industries over an eleven-year period. Kotter and Heskett reported that companies that managed their cultures well saw revenue increases of 682% versus 166% for the companies that did not manage their cultures well; stock price increases of 901% versus 74%; and net income increases of 756% versus 1%.

Denison's research of 34 large American firms, one of the most frequently cited studies of culture & performance, found that companies with a participative culture reap a ROI that averages nearly twice as high as those in firms with less efficient cultures. Denison's study provides hard evidence that the cultural and behavioural aspect of organisations are intimately linked to both short-term and long-term survival.

The top five performing stocks from 1972 to 1992 witnessed growth from 15,689% to 21,775%. Yet during this period, these industries as a whole performed very poorly. These five firms cite their sustained advantage did not rely on technology, patents, or strategic proposition, but rather on how they managed their workforce

According to Pfeffer's research, companies that manage people right will outperform companies that don't by 30% to 40%

The Corporate leadership council reported in 2006 that engaged organisations grew profits as much as three times faster than their competitors. Highly engaged organisations reduced staff turnover by 87% and improved performance by 20%

Companies in the 'Best companies to work for' table in the period 04-08 increased T/O by 94% & profits by 315%

From the 2009 Report to Government on Employee Engagement by David McLeod & Nita Clarke:
"Those Companies with a highly engaged workforce improved operating income by 19.2% over a period of 12 months, whilst those companies with low engagement scores saw operating income decline by 32.7% over the same period"

"Over a 12month period, those companies with high engagement scores demonstrated a 13.7% improvement in net income growth whilst those with low engagement saw net income growth decline by 3.8%"

The Chartered Management institute 'Quality of Working Life 2007 Research Programme' found a significant association and influence between employee engagement and innovation

A 2009 Watson Wyatt study of 115 companies indicated that a company with highly engaged employees achieves a **financial performance four times greater** than companies with poor engagement

They also reported that the highly engaged are more than twice as likely to be top performers - almost 60% of them exceed or far exceed expectations for performance

Moreover the highly-engaged missed 43% fewer days of work due to illness.

A crucial point and cost saving opportunity when you consider the latest stats assign a £600 per person per annum cost to absence.

Change – The 'Human Factors'

Individuals go through a reaction process when they are personally confronted with major organisational change (Jacobs, 1995; Kyle, 1993).
According to Scott and Jaffe (1988) this process consists of four phases: initial denial, resistance, gradual exploration, and eventual commitment.

Unconscious processes arise as individuals respond to the threats of change (Halton, 1994; O'Connor, 1993).
Individuals unconsciously use well-developed and habitual defence mechanisms to protect themselves from change and from the feelings of anxiety change causes (Oldham and Kleiner, 1990; de Board, 1978).
These defences can sometimes obstruct and hinder an individual from adapting to change (Halton, 1994).

Resistance is a natural part of the change process and is to be expected (Coghlan, 1993; Steinburg, 1992; Zaltman and Duncan, 1977).
Resistance occurs because change involves going from the known to the unknown (Coghlan, 1993; Steinburg, 1992; Myers and Robbins, 1991; Nadler, 1981).
Typically, individuals seek a comfortable level of arousal and stimulation and try to maintain that state (Nadler, 1981; Zaltman and Duncan, 1977).
Individuals differ in terms of their ability and willingness to adapt to organisational change (Darling, 1993). This is because individuals experience change in different ways (Carnall, 1986).

Some people tend to move through the change process rather quickly, while others may become stuck or experience multiple transitions (Scott and Jaffe, 1988).

The failure of many large-scale corporate change programs can be traced directly to employee resistance (Maurer, 1997; Spiker and Lesser, 1995; Regar et al., 1994; Martin, 1975).

A longitudinal study conducted by Waldersee and Griffiths (1997) of 500 large Australian organisations during 1993 and 1996 revealed that employee resistance was the most frequently cited implementation problem encountered by management when introducing change.

Over half the organisations surveyed experienced employee resistance. These findings raise questions about how effectively the resistance phase is managed when implementing change.

Managing employee resistance is a major challenge for the initiators of change, and according to O'Connor (1993) outweighs any other aspect of the change process.

The Dux Method© helps your leadership team understand and address the 'Unconscious processes in response to the threat of change'… the 'well-developed habitual defence mechanisms which obstruct and hinder change'… what constitutes a 'comfortable level of arousal and stimulus' in work conditions which have to link to organizational outcome requirements… the 'speed of change' relative to different defence mechanisms… & the systemic approach which continues to witness 'large-scale corporate change program failures'.