SUCCESS IN CHANGE

GERMAN CHANGE READINESS INDEX 2019

A study by Staufen AG and Staufen Digital Neonex GmbH

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Content

1 Editorial

Dear Readers,

Theodor Fontane, the famous German author and creator of Effi Briest, would be 200 years old this year. Whenever he wanted to avoid an unpleasant topic in the novel of the same name, he had the friendly landlord say the now, famous phrase: "This is a broad field."

Today, when I begin to speak about adaptability at many companies, they react in a manner similar to Fontane.

It is true that the ability to change is not something one learnsovernight; instead the path is long and sometimes paved with inconvenience. However, it is also true that companies can no longer avoid the challenges of a globalized and networked economy in the 21st century – certainly not with old-fashioned phrases.

As such, Staufen AG has assessed the German Change Readiness Index (CRI) again for this year. More than 400 top executives of German companies were surveyed as part of the present "Success in Change" study. The results are note- worthy: The CRI has noticeably dropped compared to the first survey two years ago. Particularly in the areas of structures and processes, companies have received much poorer marks. But how should we interpret this decline in adaptability? A step backwards or a sense of reality? I am convinced that it reveals the latter. In recent years, many companies have gathered vast experience with regards to flexibility, agility, etc.

In my discussions with owners, managing directors/management boards, plant managers, foremen as well as with experts from sales or controlling, the scale of the current emotional situation ranges from euphoria to disillusionment. At the pos- itive end – one of the results of our study – are predominantly companies that consistently rely on Lean Management and not only for production.

Yet even there, transformation and change are not just about creating harmony. According to Professor Heidi Möller from Kassel, too much harmony may even be dangerous. "Resistance is welcome because it is a sign that people are seriously dealing with change," said the psychologist in an interview (p. 12). However, to prevent this resistance from building up, top management must understand its causes and act accordingly. In other words, when excellent leadership is in place, even a broad field can be successfully tilled.

Your Wilhelm Goschy, Member of the Board, Staufen AG

Wilhelm Goschy,
Member of the Board,
Staufen AG

2 About the Study

BACKGROUND AND FRAME-WORK OF THE STUDY

The Staufen business consultancy surveyed a total of **421 companies** in Germany on the subject of "Success in Change" for the German "Change Readiness Index 2019." The survey took place in the spring of 2019 and was **conducted a second time** in 2017.

3 | Experts on the Change Readiness Index 2019

> **Change is not a one-man show, rather it can only be created when executives and their teams work together.**
> **Prof. Dr. Heidi Möller, Department of Psychology at the University of Kassel.**
> **In the interview, she explains why resistance is a positive thing.**

RESISTANCE IS WELCOME

What is the greatest challenge for companies wanting to initiate sustainable change processes in terms of real transformation?

The hardest thing to do is to change people. You can change structures day in and day out, but people are much slower, and it takes a great amount of effort to get them involved in the change process. All too often, this is one aspect that is disregarded, which is why up to 70 percent of all change projects fail.

What do I as a top manager need to do to be among the 30 percent who experience success?

First, you must realize that the era of "heroic" management is over. You will not achieve change as a one-man show, but only in conjunction with middle management and your employees. As a top manager, you have to communicate a lot, also across departments. Your task is to establish a consensus from the top to the bottom of the organization that the change makes sense.

You must succeed in creating an understanding for the changes. That requires taking a balanced approach. Neither you nor your employees know exactly where the journey is going. There is a great deal of uncertainty in the process of change. It calls for an overall high level of stress tolerance from your executives at all levels and employees.

Above all, I must have a keen sense of awareness as a company manager.

Yes, especially with respect to the level of stability and change. You must drive change, while ensuring that your system is not overwhelmed. It is important to create room for dialog, in which your team can openly express its fears and worries. These should not simply be pushed away; they must be identified. Because not all employees are immediately open for changes. Some say "Great, something new" and are quick to jump onboard, while others shy away from change like a cat from water. Ultimately, everyone should be onboard. Because if your team does not get involved or even blocks your efforts, you are completely powerless as a leader.

Threatening with a whip is just as counterproductive. But which skills or competencies do executives need for this process?

First of all, it is all about a very fundamental attitude. Be aware: Change cannot occur without resistance. This is normal. If no one rebels in an organization, that should be considered a cause for concern. Resistance is welcome, because it is a sign that people are seriously dealing with change: with their previous beliefs and what is new to them. Resistance is a reflection of concerns, worries and fears. In order to prevent blockades,

this is something top management must understand and pay attention to.

Managers should always flow with resistance and not fight against it. Otherwise, sides may clash, which is a road to nowhere.

Another important aspect: patience. When initiating major change processes, many things have to be un-learned. It is not only about learning new things, but also about saying goodbye to old ways of thinking. This is always time consuming.

It must be nearly impossible to get all employees involved in the change process, right?

It is important to get the critical mass onboard. Even if only 30 percent are willing to participate, that is good. But it should not be any less than that. As in a snowball system, the rest of the workforce will gradually be convinced.

What role do external consultants play in transformation processes?

Especially when it comes to major change processes, external support is of fundamental importance. Even simply having a partner to reflect your own behavior back to you. As a leader, I need someone to show me my blind spots. Someone who acts as a sparring partner and offers a sounding board, without any need to gain something or with no ulterior motives. This type of differentiated and constructive feedback helps immensely.

LEADERSHIP IS THE MOST IMPORTANT FACTOR FOR SUCCESSFUL TRANSFORMATION

Robert Scott Rowe has been CEO of Flowserve Corporation since April 2017. The company is a listed pump, valve, seal and related services provider, based in Irving, Texas.
The Group employs approx. 17,500 people in more than 50 countries worldwide.

Rowe has worked in the industry since 2002 and began his career with Cameron International (Schlumberger Group). Before that, he held a military position in the US Army. He holds a degree in engineering from the United States Military Academy (West Point) and an MBA from Harvard University.

Flowserve can look back on over 200 years of corporate history. How have you managed to be successful in the market for so long?

The technical expertise of our employees is second to none, as is the top market position of our pumps, valves and mechanical seals. Thanks to this competence and our broad product range, we have always been able to win over customers from a wide variety of industrial sectors.

We live in a time of enormous technological changes. How does Flowserve succeed in reinventing itself over and over again?

In early 2018, we launched a major transformation initiative called Flowserve 2.0. After an internal review, we found that our company was lagging behind in a number of key areas. We therefore developed a comprehensive corporate change initiative. We know exactly why we need to change and have a clear idea of how we want to position ourselves in the future.

How important are intelligent and digital processes as well as new business models for your company?

Digital processes, new manufacturing technologies and material advances, as well as the industrial Internet of Things are rapidly evolving areas. Although much is being discussed in our industry, we still have no really good solution to offer our customers. However, in recent years we have made vast strides and spent a great deal of time collecting data and developing "intelligent" solutions for our customers. I believe that our business models need to change as technology evolves. Flowserve will ultimately have to commit to performance-based contracts that combine availability, reliability, system optimization services and solutions. We are not there yet, but we are on the right path.

What do you see as the greatest threat to your industry within the next five or ten years?

Our industry is always under pressure. Geopolitical risks and the introduction of disruptive technologies over the next five years will pose the greatest risk to our industry.
 The world is in a dynamic state, and global companies must be able to master the various challenges that are occurring at a rapid pace around the world. In ten years' time, our industry will face the challenge of changing energy production. In response, our industry must adapt to other markets and focus more on renewable energy sources and new segments requiring flow control.

How do American companies deal with the topic of change in general? How open are employees and executives to change?

I believe that most American companies accept change. There is a deep-rooted entrepreneurial spirit in America, and good companies are finding ways to leverage that and bring about positive change. It is important that executives and managers create a corporate culture that rewards innovation. Creative thinking must not be punished!

Viewed from a distance: In your opinion, how versatile are German companies? Where do you see its strengths and weaknesses?

Similar to the United States, some German companies are open to change, while others are trapped in traditional ways of thinking.
For the past twelve years, I have had the privilege of working with German industrial production. During this time, I have seen some companies that have fully embraced change and transformed. But I have also seen companies in Germany that were more than 20 years behind and facing insurmountable investment hurdles in order to catch up. The main difference between these companies was clearly the corporate culture and the quality of local leadership.

"AMBIDEXTERITY"
AS A TEAM EFFORT

Dr. Dirk Bayas-Linke, Principal, Staufen AG

Good organizational design can offer companies a competitive advantage that cannot be copied. However, existing control models are increasingly reaching their limits as they have to take on more and more complex tasks. In consequence, future-proof companies will require an organizational form that will allow a balance between flexibility and stability.

The key question that any organizational design must ask itself is: What problem does this organizational structure answer? So when executives complain about long decision-making paths, lack of cooperation, perpetual reaction times or listless employees, they should pay more attention to organizational issues and not approach these topics solely from a technical-operational perspective.

Although the increasing complexity (incidentally not to be confused with complicatedness) of tasks affects all compa- nies, the larger a company is, the greater the challenge will be to promote efficiency and flexibility while at the same time integrating necessary executive and employee development. Telekom, for example, created many smaller innovation teams within the Group years ago, which have taken on a pioneering and experimental role in terms of digitization and innovation. Another example is the traditional company Klöckner, which has integrated its own startup Klöckner.i into the parent company.

IMPROVE WHAT ALREADY EXISTS WHILE SEEKING SOMETHING NEW

In traditional medium-sized companies, the problems are certainly similar. But since the level of resources here is usually much tighter, smart solutions are especially in demand. However, the goal is the same for all companies: ambidexterity – the ability to improve what already exists while actively seeking new things.

Quick wins can often only be achieved along the way by merely paying more attention to the organizational design and thus inevitably triggering a change in the management structure. Because even if the new leadership system remains undifferentiated at the beginning, executives will be prompted to regularly review the organization's performance and make changes if necessary.

THE KEY LEVER OF AN INNOVATIVE CULTURE

Companies consistently require leadership, as it is indispensable for the success of the organizational design. This is the only way to foster the projects and products of innovation hubs, incubators or start-ups in a focused manner and integrate them into the parent company. Companies and executives have the responsibility to create the necessary structures. This organizational design is the key to creating a culture of innovation that also delivers results.

In the medium to long term, companies will evolve into network organizations, in which employees will for the most part work self-organized on the basis of common goals or a target system (collaboration). The inclusion of customer and competitor perspectives (co-creation, co-option) and a consistent functional focus towards customer and market perspectives will complement the organizational design. At both the management and employee level, only real teamwork and an investment in developing skills accordingly will be key in the ability to deal with this complexity.

KEEPING UP WITH THE PACE OF THE DIGITAL AGE

The future belongs to hybrid organizations with self-organized, customer-centered teams working based on clear processes, principles and organizational determination. Examples of successful transformations in this direction include Heiler-Glas GmbH, which as a smaller company has replaced functional areas in favor of customer-oriented market circles, or the internationally operating Haier Group from China, which removed its middle management almost entirely and instead established more than 4,000 micro-companies. The goal is to create organizational designs that match the pace and volatility of the digital age.

4

Accelerated Change

**Changes in the German economy can be felt every day.
The resulting upheavals in factory halls and offices are much faster and fiercer than companies could have anticipated two years ago.**

UNDERESTIMATED UPHEAVAL

Even though as of 2017 every second company (53%) was expected to change strongly or very strongly over the next two years, in retrospect the change was even stronger: 67% of all companies reported that it had been as strong or very strong.

How much will your business change within 24 months?

	very strong	strongly	less strongly	not at all

Forecast 2017	15%	38%		45%		2 %
Actual 2019	20%	47%		29%	4%	

0%   20%   40%   60%   80%   100%

In the previous 2017 study, participants were asked to what extent their company would change over the next two years.
For the sake of comparison, this year they were asked to what extent their company has changed over the past two years.

DRIVERS OF CHANGE

Considering the dynamics of the economy and technology, this level of change is not surprising. For example, 75 percent of companies surveyed report technological progress (e.g., digitization, networked production, etc.) as the most important reason for this change.

Progressive customization of products and services is also creating pressure for change in about half of companies (48%) and

just over a third (37%) report changes in the working world, for example, as a result of new working time models, as being a clear driver.

However, topics such as globalization, much-lamented regulation, geopolitical developments, and demographic change have in many companies not been triggers for change.

A look at the individual sectors reveals the world of digital change is viewed in a very similar manner not only in mechanical and plant engineering but also in electrical engineering and electronics; the drivers are the same. In the automotive industry, though, the situation is different entirely. Here, in addition to technological progress and ever-increasing customization, aspects such as geopolitics and regulatory requirements are a critical as a catalyst for change.

One possible explanation for this is the status of the automotive industry: its sales are mainly outside Germany; the domestic market is relatively small.

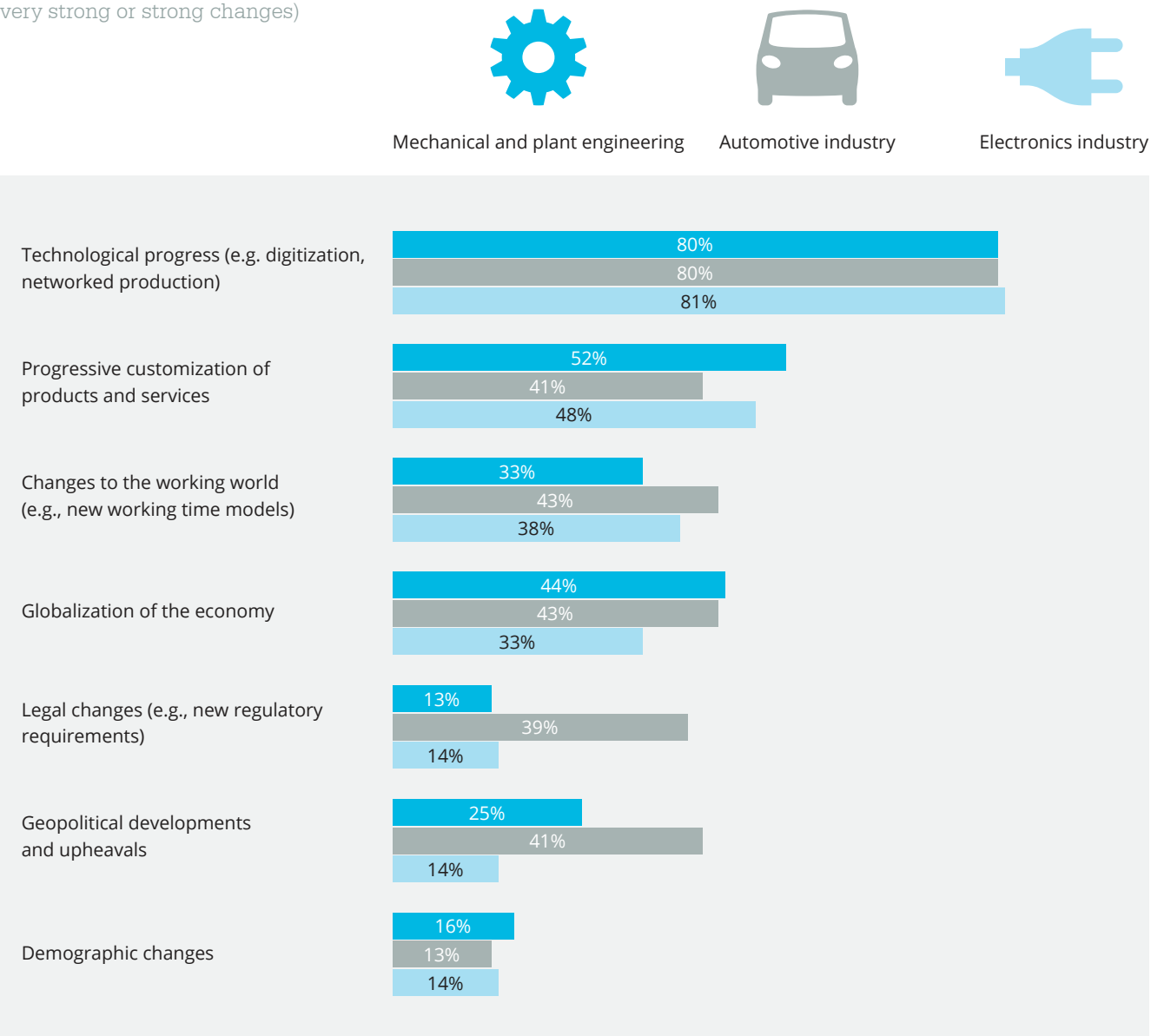As a result, it is dependent on developments outside Germany, which are difficult to manage and are definitely hard to influence. Trade disputes initiated by the US or Brexit are also having an effect here; they have created enormous uncertainty in the automotive industry.

What's more: Competition is intense. Car manufacturers from Japan, South Korea, Europe and the USA hold considerable global market shares. Moreover, there are more than 60 car manufacturers in China, focusing primarily on electric mobility. Their domestic market share can increase to dangerously sized numbers, giving them an additional advantage in export.

What were the main drivers of this change?

(Participants who stated in the previous question that they expect their company to undergo very strong or strong changes)

Mechanical and plant engineering   Automotive industry   Electronics industry

Driver	Mechanical and plant engineering	Automotive industry	Electronics industry
Technological progress (e.g. digitization, networked production)	80%	80%	81%
Progressive customization of products and services	52%	41%	48%
Changes to the working world (e.g., new working time models)	33%	43%	38%
Globalization of the economy	44%	43%	33%
Legal changes (e.g., new regulatory requirements)	13%	39%	14%
Geopolitical developments and upheavals	25%	41%	14%
Demographic changes	16%	13%	14%

"The greatest challenges that I see are in the transition from a pure product provider to a product and service provider in conjunction with the need to develop the necessary competencies and resources."

Wilfried Müller, Managing Director, RAUCH Landmaschinenfabrik GmbH

DISRUPTION AND UNCERTAINTY

Transition and change can be interpreted positively or negatively – the glass is half full for some, while half empty for others. One side focuses mainly on, the other focuses on the risks. German companies have opted for a positive view. The majority focuses on concepts such as opportunity, future, strategy and innovation. Doubts, risks and uncertainties are aspects that are not mentioned quite as often, but still often enough, so that about

a third are also thinking along these terms when it comes to change. This could be the result of developments in the working world, which, among other things, involves ambivalence, ambiguity, and how uncertainty is managed in working life. It has also become a "new" strength to acknowledge this, seriously work on it and be responsive as a company and leader.

Which of the following terms do you associate with the topic of transition?

OPPORTUNITIES **RISK**
FUTURE **UNCERTAINTY**
STRATEGY **OPENNESS**
INNOVATION **RESISTANCE**
CREDIT
LEARNING **DISRUPTION**
DISTRUST
COURAGE **DOUBT**
EUPHORIA
DISILLUSIONMENT

"For the most part, I am concerned about the very low level of adaptability in Europe as compared to the US or China."

Katja Berghahn, Global Lean Manufacturing Manager, Kiekert AG

Which of the following terms do you associate with the topic of transition?

Mechanical and plant engineering   Automotive industry   Electronics industry

	Mechanical	Automotive	Electronics			Mechanical	Automotive	Electronics
Opportunities	86%	85%	90%	Uncertainty	34%	57%	32%
Future	68%	67%	84%	Risk	35%	54%	23%
Strategy	77%	66%	64%	Trust	29%	16%	26%
Innovation	70%	66%	71%	Disruption	25%	34%	29%
Learning	59%	52%	58%	Disillusionment	8%	7%	10%
Courage	53%	48%	45%	Distrust	5%	7%	13%
Openness	42%	39%	23%	Doubt	7%	7%	0%
Resistance	33%	42%	42%	Euphoria	5%	5%	3%

Here, interesting differences can also be seen among the individual industries. Although the majority of companies from all industries note the four guiding principles mentioned above, the automotive industry stands out especially. There, concepts such as uncertainty and risk are much more common. Disruption is also an aspect more often linked to the idea of change. The entire automotive industry currently seems to be marred by uncertainty.

Proof: The very public conflict within the German Association of the Automotive Industry VDA on the importance of electromobility was an absolute novelty in the economic history of the Federal Republic of Germany.
However, companies across all industries agree that change is more likely to create opportunities and that they want to take on change.

TO WHAT EXTENT DO YOU GENERALLY SEE A RISK OF DISRUPTION FOR

What is quite significant is that more than two-thirds of companies see a risk of disruption to individual products or services that they offer and half see threats to their business model. These figures show that the economy is taking the disruption seriously. Every second company (53%) questions the sustainability of their own industry and about the same number (47%) questions that of their own company.

To what extent do you generally see a risk of disruption for ...

Legend: ■ Very high risk ■ High risk ■ Low risk ■ No risk

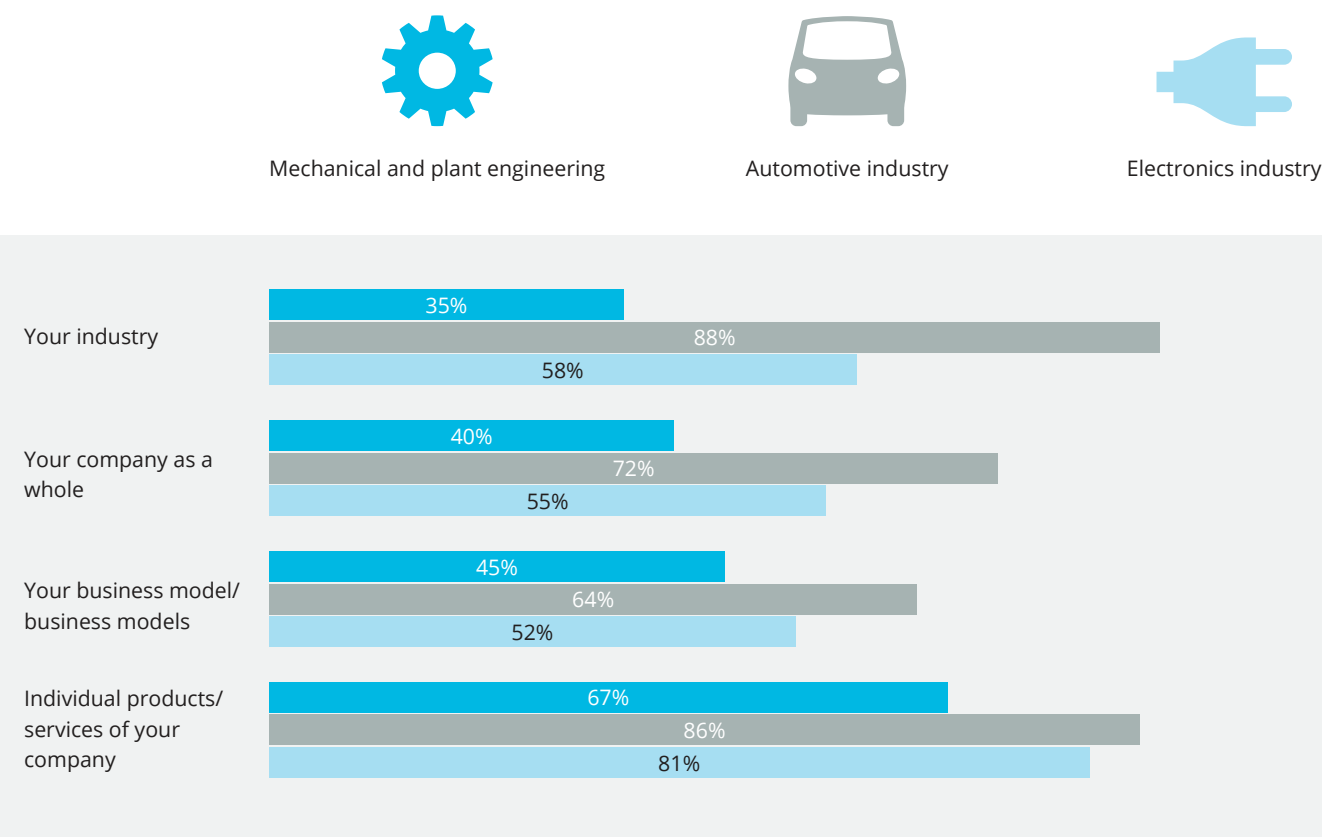|				
Your industry	11%	42%	41%	6%
Your company as a whole	8%	39%	48%	5%
Your business model/ business models	10%	40%	45%	5%
Individual products/ services of your company	19%	51%	27%	3%

(0% – 20% – 40% – 60% – 80% – 100%)

The analysis by company size again confirms the results depicted above: The bigger the company, the greater the estimated risks. The economic heavyweights, with annual sales of more than one billion euros, are the least convinced of the sustainability of their products and services. Nine out of ten executives here assume there is a high risk of disruption. Smaller companies look much more optimistically towards the future. They still feel safe and secure in their niche.

Mechanical and plant engineering   Automotive industry   Electronics industry

	Mechanical and plant engineering	Automotive industry	Electronics industry
Your industry	35%	88%	58%
Your company as a whole	40%	72%	55%
Your business model/ business models	45%	64%	52%
Individual products/ services of your company	67%	86%	81%

A comparison with 2017 also makes it clear that uncertainty is a growing aspect. Two years ago, only 40 percent of companies saw themselves as at risk. This year, the number has already risen to 47 percent. Once again, the automotive industry stands out with an increased awareness of risks and dangers. The difference to the other large industrial sectors is great and self-assessment is largely very negative. Putting it in blunt terms: Almost every car company is rather skeptical about the future of its own industry – and ultimately also itself.

Conversely, mechanical and plant engineering is proving to be at the top of the economy. Only approximately one third of companies negatively evaluated their own industry or own company. Very high values were only given when assessing the risk of disruption to individual products or services in the company. This, too, corresponds with impression given when visiting factories: German mechanical engineering companies must also undergo change; however, such fundamental questions as those being considered in the automotive sector are not (yet) being raised.

"Disruptive technologies (3D printing, VR, AR, AI, etc.) will change work as we know it to an extent that is hard to imagine today."

Tobias Liebing, CIP Manager, Ravensburger Spieleverlag GmbH

The Change Readiness Index 2019

**Which factors determine a company's well-being or otherwise, its success or defeat during turbulent times?
How can companies ready themselves to face the unknown in the future?
In short:
Where do companies need to look if they want to make themselves and their employees fit for change?**

CHANGE DEPICTED IN A SINGLE NUMBER

The Change Readiness Index (CRI) of Staufen AG translates complex relationships and multi-layered information into one single correlating value. By taking into account the areas of structures, processes, leadership and corporate culture as well as employees and qualifications, the index value quantifies the ability of German industrial companies to keep pace of our dynamic world.

"Transformation and change are not just things that happen to us and that we have to endure.
Therefore, it is important to always focus on your goals and values.
Or, in the words of Mark Twain: " If you don't know where you are going, you might wind up someplace else."

Jens Adami, Head of Controlling, Fischer Panda GmbH

CHANGE FROM THE INSIDE OUT

The will of companies to take precautions for a vague future has become stronger. A large part of the surveyed companies is driven by the conviction that change is inescapable, so we might as well approach it with optimism. More and more organizations are not only seeking out external expertise to cope with change, but also empowering people within their own ranks to overcome organizational and personal hurdles. Wherever change is faced with the support of professionals, it becomes very clear: Change is not something you can just delegate.

Change is a fundamental management task. Change has to be shaped and managed from the inside out.

According to respondents, success factors of change can take many forms within organizations. Structurally, for example, it can be found in shared visions, cooperative teamwork, customer orientation or agile organizational forms.

5.4
Employees and qualifications
- Building knowledge
- Diverse composition
- Openness to change
- Promoting talent

5.1
Structures
- Customer-oriented
- Cooperative team work
- Pursuing common visions
- Agile organizational form

5.3
Leadership and Corporate culture
- Pioneering spirit
- Positive error culture
- Practiced values
- Trust
- Personal responsibility

5.2
Processes
- Regular review
- Continuous adaptation
- Structured
- Flexible
- Lean, with powerful interfaces

THE ART OF CHANGE

A company's ability to adapt is influenced by various fields of action. Ultimately, the art of change is a colorful mosaic that creates a clear picture through the perfect interplay of countless building blocks.

In addition to structures and processes, people especially are pivotal in determining in how far a company can cope with change. Employees must have the right attitude and adequate qualifications to handle the tasks of the future. The art: Getting people involved and qualifying them for future requirements that we do not yet know.

Probably the most important category for practitioners as well as consultants and scientists is leadership and corporate culture. Anyone who has experienced solidarity among people at a company on a daily basis, who has lived a common vision of the future day in and day out within the company, that lives by a commonly agreed upon communication concept and who knows the people within their company, including their strengths and weaknesses, can be confident when gazing into the eyes of future challenges.

5.1
Structures
for Change

A description of the internal organizational structures and a corresponding critical self-assessment are the first steps to placing the focus on the conditions needed for high adaptability. The self-perception of a clear majority of companies is quite good: 64 percent of companies surveyed actively develop their own adaptability and 60 percent see themselves as a learning organization that pursues continuous improvement and systematic problem solving. Methods such as Kata, CIP or A3 are well established there and taken seriously. Yet by comparison, the assessment that only two years ago was very positive has become more cautious: 70 percent of managers interviewed emphasize that change is generally dictated from the top, instead of this process being developed in a team along in conjunction with the staff.

60%

See themselves as a
learning organization

What characterizes your organizational structures?

"Applies" and "applies more or less"

Our company is characterized by flat hierarchies	59%
Our organization is learning and designed for continuous improvement and systematic problem solving [...]	56%
Our organization is strongly focused on innovation	56%
Organizational structures in our company are flexible and changeable	43%
Changes are usually dictated from the top	70%
Our organization is more inward-looking and less open to external impulses	45%

STEP BACK:
MORE HIERARCHY, LESS INNOVATION

Consequently, respondents are assessing their own organizational structures much more skeptically than two years ago. Only 59 percent (2017: 69%) say that their organization is designed for learning and continuous improvement, or for systematic problem solving. A decline in flat hierarchies is especially evident: Where in 2017, more than two-thirds (69%) were convinced that flat hierarchies prevailed in their company, the current Change Readiness Index only accounts for 56 percent.

The decline is surprisingly large and in need of explanation. However, the reintroduction of traditional hierarchical structures is not entirely plausible. Another possible explanation is that realism has come to fruition in companies. Flat hierarchies cannot be introduced on command from above. Traditional corporate structures tend to be persistent, because within them are roles, functions, and ultimately people. Nobody likes to simply pass on their responsibility, especially if it jeopardizes their career.

There is a clear correlation between movement and resistance: Trying to keep pace with digital transformation generates friction within companies. One indication of this is the decline in values with respect to flexibility and adaptability of organizational structures. In 2017, 57 percent of companies surveyed considered themselves flexible, while the number is only 43 percent in the current survey. An increase of the statement "our organization is less open to external impulses" from just over a third (35%) to now 45% correlates to this trend.

THINKING OUTSIDE THE BOX

The change readiness of companies is also structurally apparent in a company's contact with the world outside of their factories. Looking beyond the horizon imparts in companies a willingness to change and prepares them for establishing a specific internal basic framework. Every second company has already established a constructive cooperation with suppliers and customers, while 32 percent are currently developing this cooperation. This shows a certain level of maturity among the industrial sectors surveyed.

Half of companies have also systematically integrated partners, such as scientific institutions, competitors or associations, and 41 percent use external sources of inspiration, such as learning expeditions, BestPractice excursions or networking events.

Please try to describe your organization using the following pairs of terms:

	4.0	
Product-oriented		Customer-oriented
Silo thinking	3.4	Cooperative team work
Change is a threat	4.0	Change is an opportunity
Bureaucratic	3.1	Unbureaucratic
Adhering to plans	3.9	Situational

1 2 3 4 5 6

To what extent does the following apply to your company?

Legend: ■ Already successfully implemented ■ Being developed ■ Planned ■ Nonexistent

	Already successfully implemented	Being developed	Planned	Nonexistent
Constructive cooperation with suppliers and customers	49%	32%	11%	8%
Structured cooperation with other external partners [...]	49%	25%	13%	13%
Thinking with curiosity outside the box [...]	41%	33%	13%	13%
Time for open exchange (employees/executives) away from day-to-day business	30%	34%	12%	24%
Flexible work environments	31%	34%	17%	18%
Platforms for lateral thinking (e.g. creative workshop)	21%	26%	16%	37%
Kinds of a trend or change radar	16%	22%	14%	48%

0% 20% 40% 60% 80% 100%

It is clear: Company structures are still firmly established. This is also indicated by the assessment of the obstacles of silo thinking and bureaucracy. Companies are waking up, but changes are still too strongly thwarted by traditional structures.
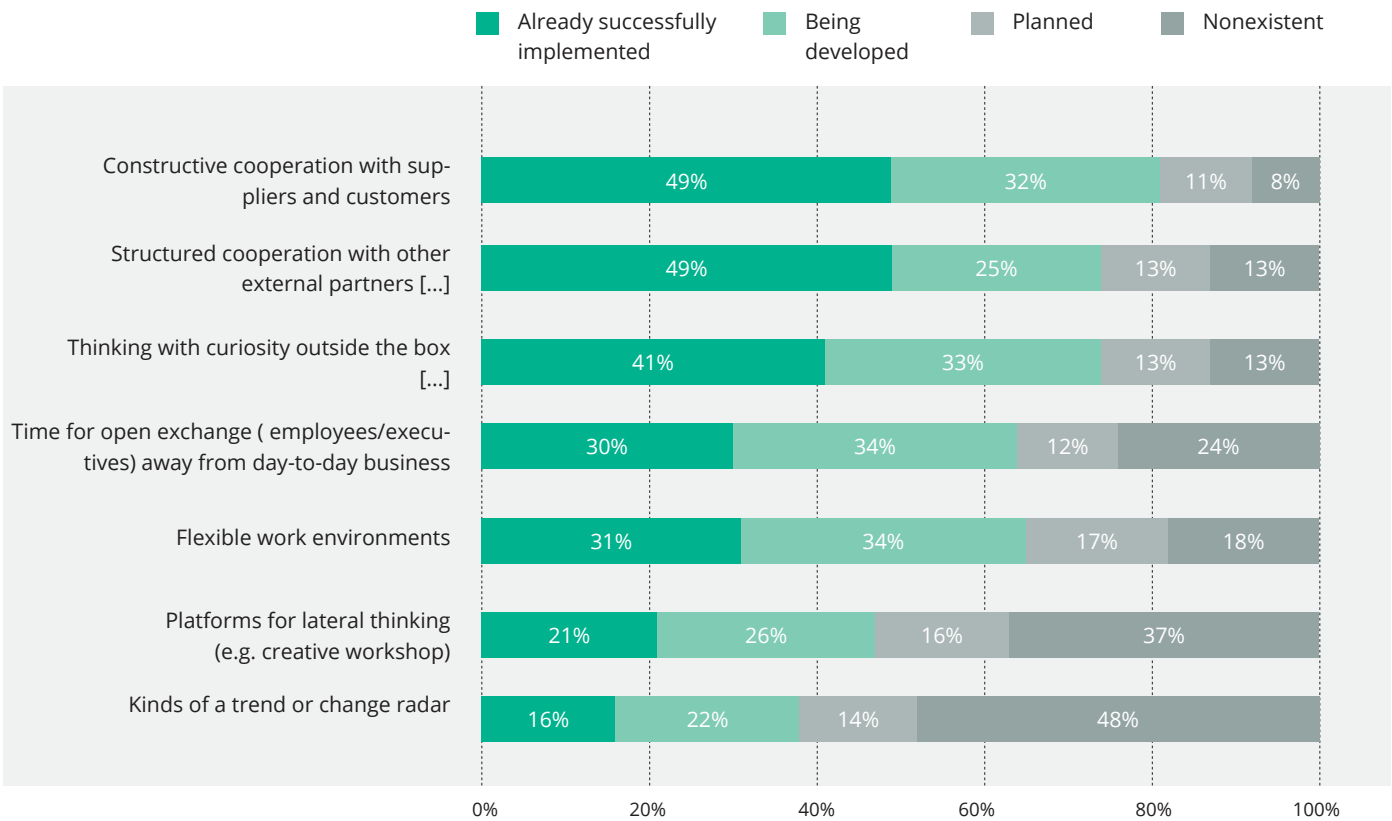
Nevertheless, the results are a reflection of the efforts put forth my most companies to move more towards a focus on the customer and a positive outlook on change. Accordingly, though the managers interviewed perceive their company as bureaucratic, they also see it as customer-oriented.

However, the comparison with the 2017 study shows that cooperation can also lead to problems. Accordingly, slightly less companies now say that they are successfully working with suppliers. However, the number of cooperations being developed has grown significantly. This may indicate that the assessment two years ago was too optimistic.

"We are facing major technological changes that will greatly affect our actions and daily work over the next few years. New technologies will emerge and spread at accelerated speed and we will have to accept these new technologies at a faster rate. Those unable to follow this rhythm will succumb to their competitors and disappear from the market as a result."

Reinhard Jenne, Director Customer Service, Mixing Group

LITTLE PROGRESS, LITTLE FREEDOM

In the 2017 study, it was already obvious that internal freedoms were in short supply. This has changed only minimally over the past two years. Day-to-day business keeps employees and managers on their toes: Only just under a third of companies allot people in their organization additional time for open exchange aside from their everyday tasks. Another third is developing such structures. There is still much to be seen in terms of the added value these freedoms can have for a company and its products.

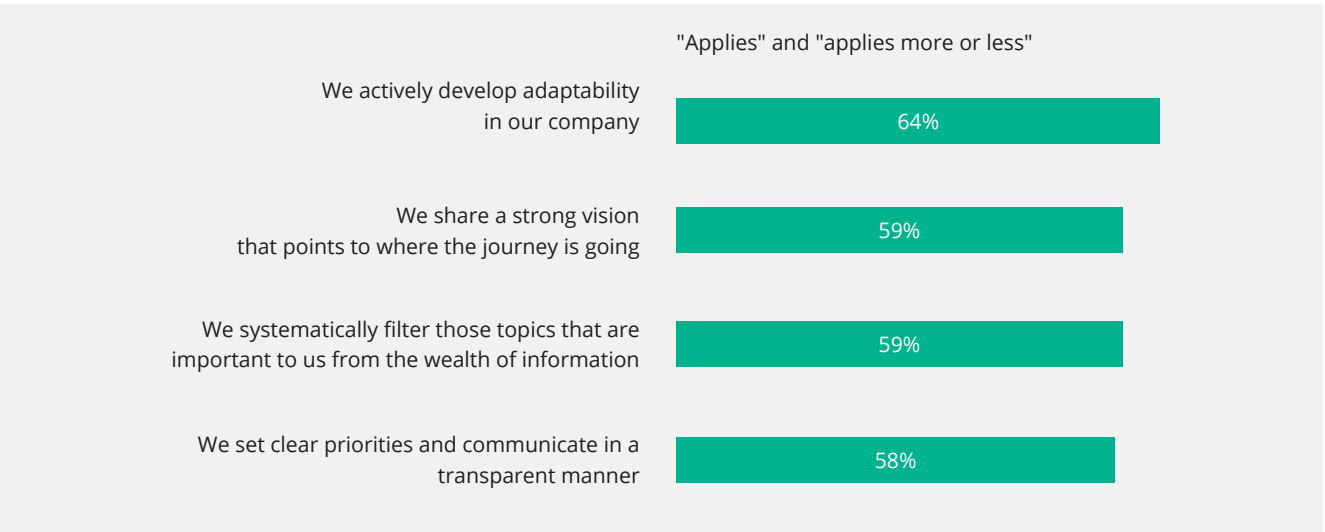In addition, companies have made hardly any progress in establishing flexible working environments.

While just under a third has implemented concrete projects, half of the respondents are still in the planning and development stage. This is similar with concrete platforms for creative lateral thinking: Platforms of this kind have been successfully implemented by only a fifth, and every second company must admit that the seeds for change readiness have yet to be planted.

The situation is similar in the case of structured trend and change-watching systems: only 40 percent have appropriate structures or are developing them. Just as many of the companies surveyed are stumbling in the dark without a flashlight when it comes to their future.

COMPANIES ARE LOSING ADAPTABILITY

While most companies feel well prepared for upcoming challenges, skepticism has grown in comparison to 2017. This is clear in companies, which in their opinion are actively developing their ability to adapt.

Two years ago, almost three quarters of companies were sure of this; in the current study, however, this is significantly less than two-thirds.

Based on your company structure, to what extent are you prepared for emerging challenges?

"Applies" and "applies more or less"

We actively develop adaptability in our company	64%
We share a strong vision that points to where the journey is going	59%
We systematically filter those topics that are important to us from the wealth of information	59%
We set clear priorities and communicate in a transparent manner	58%

Companies are similarly cautious about their corporate structure in other ways. Although more than 50 percent of companies continue to have a strong shared vision in their company, they are more skeptical today than two years ago. This also applies to systematically filtering out important topics from the wealth of information and setting clear priorities when deriving measures and then communicating them in a transparent manner.

This very reserved self-image reflects the economic development that is currently difficult to predict. The challenges of the next few years are very different for the individual industries and not entirely clear. Change readiness in this context means being prepared for the unexpected. And companies have become more cautious. However, at least one in two companies has already adapted its internal structures to a major shift.

"In today's working world, it is becoming increasingly important for employees to work within a shared community of values. Employees pursuit of personal fulfillment and meaning requires a new and modern view of leadership."

Martin Kreft, Head of Plant Development and Maintenance, Lindner AG

5.2 Processes for change

THE VALUE OF STRUCTURED MOBILITY

Thinking in processes has long since taken hold in Germany's industrial sectors. Many companies intensively document and define their processes along the value chain.

Yet withstanding change requires more than a meticulous adherence to processes. The necessary mobility to be successful in an unpredictable future stems from a multitude of process parameters. Versatile companies are flexible and yet structured, they are lean and do not contain unnecessary interfaces. Most importantly, they are in flux – they regularly review their processes and continually adapt these processes to new conditions.

"The transformation process in the automotive industry requires investments in new technologies that must be compensated for by further increases in efficiency in traditional product fields. Industry 4.0 and Lean provide the necessary impetus for this."
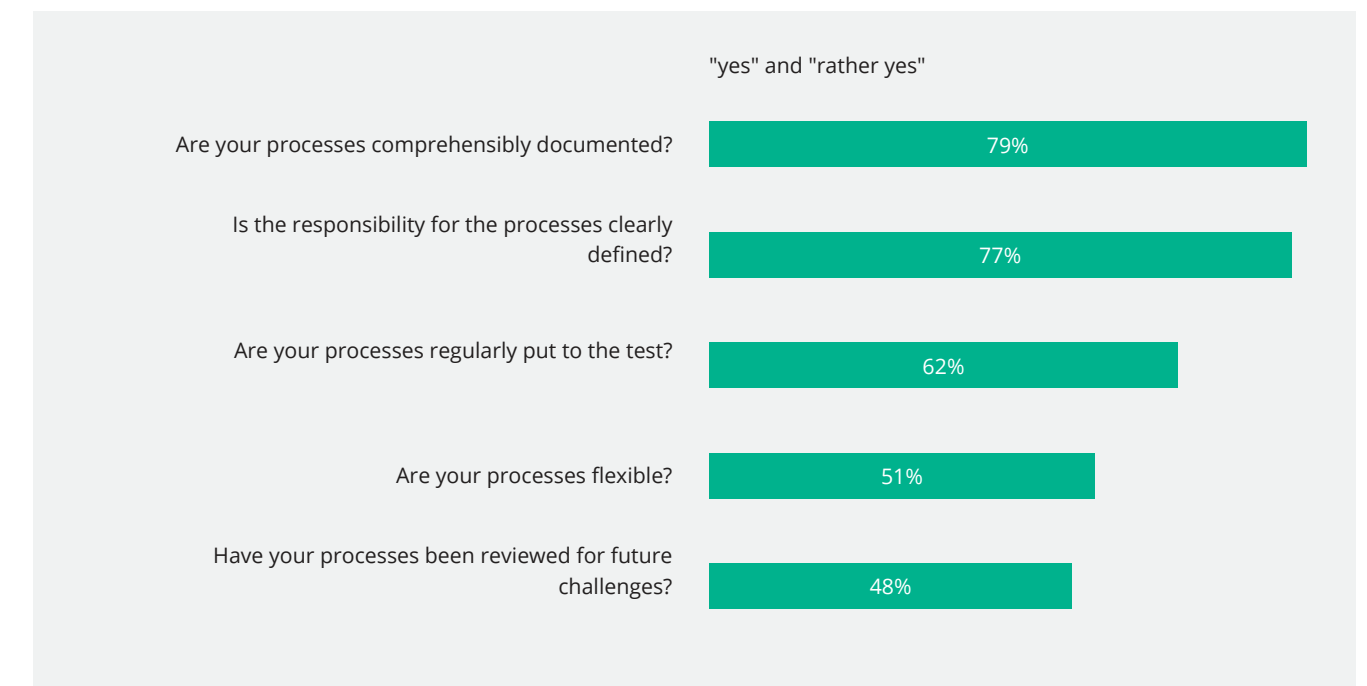
Thomas Twork, Site Manager Mercedes-Benz Gaggenau Plant, Daimler AG

WEAKNESSES IN PROCESS OPTIMIZATION

Nearly four-fifths of companies surveyed state that processes are comprehensibly documented and relevant responsibilities are clearly defined. But less than two-thirds are in the process of systematically adapting to current developments and regularly reviewing their processes.

In addition, many companies are not entirely convinced of the future suitability of their processes: Only one out of every two companies considers them flexible and assesses them with regard to future challenges.

Please describe the status quo of the process flows in your company based on the following questions:

"yes" and "rather yes"

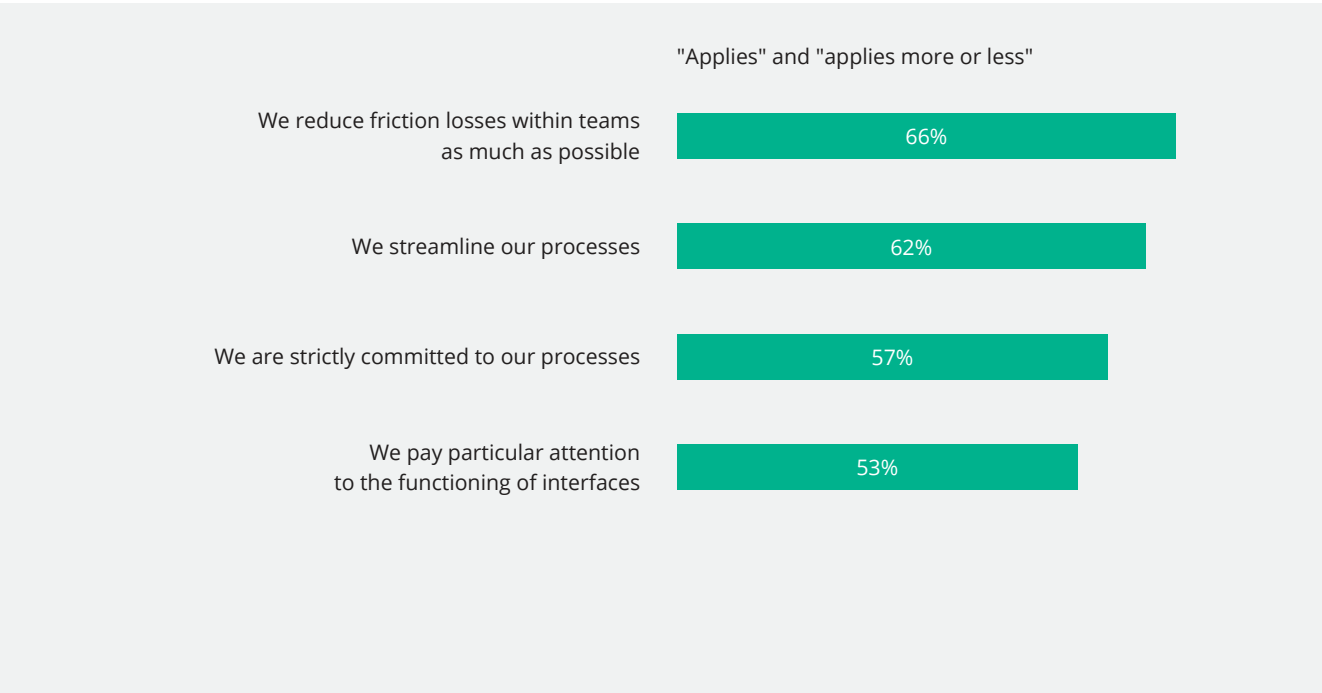| Question	%
Are your processes comprehensibly documented?	79%
Is the responsibility for the processes clearly defined?	77%
Are your processes regularly put to the test?	62%
Are your processes flexible?	51%
Have your processes been reviewed for future challenges?	48%

The results show that companies find it difficult to optimize their processes and make them more dynamic. Especially as compared to the slightly better values in the study two years ago, it becomes clear that companies have to continuously readjust their processes to ensure that they do not fall behind.

LEAN PROCESSES WITH PRACTICAL PROBLEMS

Team collaboration works in quite a few companies: Two-thirds were able to reduce friction losses detected as much as possible. Al- most as many companies state that their processes are lean, and slightly fewer rely on observing agreed processes in a binding manner.

What is the idea behind the processes in your company?

"Applies" and "applies more or less"

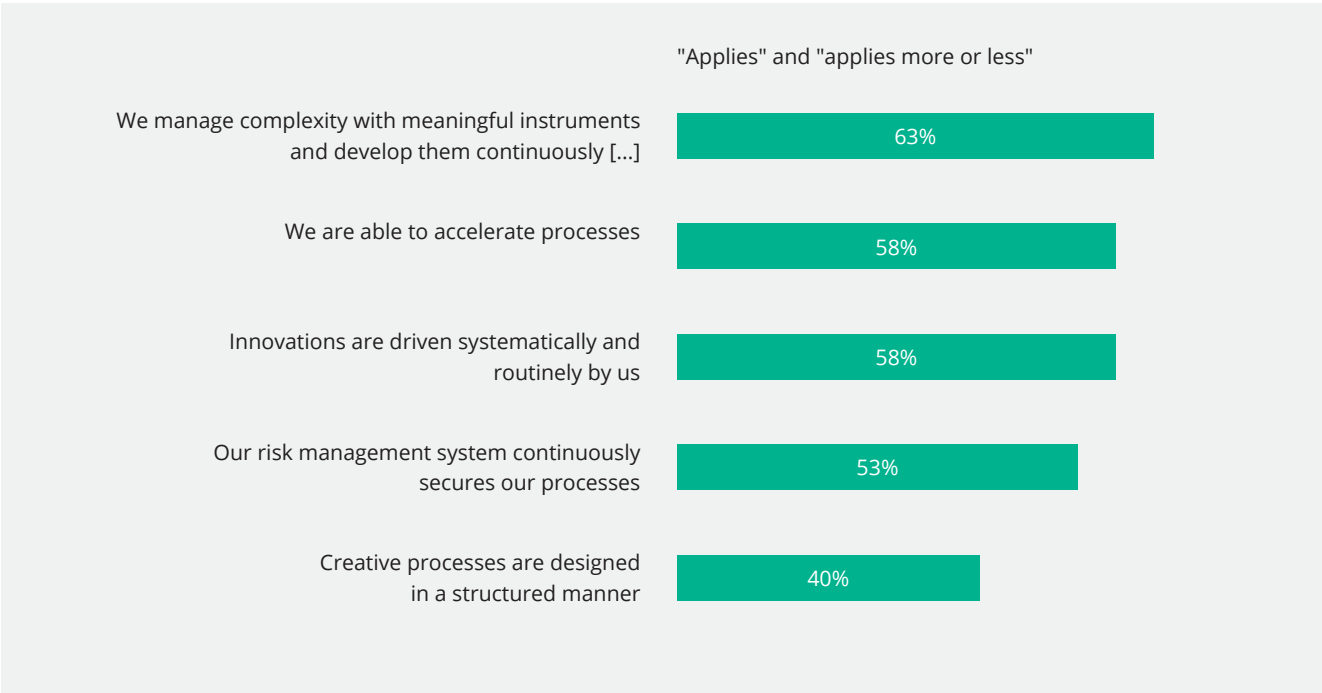|	
We reduce friction losses within teams as much as possible	66%
We streamline our processes	62%
We are strictly committed to our processes	57%
We pay particular attention to the functioning of interfaces	53%

That sounds positive, but it also means that about a third of companies still have problems with process optimization. This is supported by the fact that only every second company pays particular attention to the functioning of interfaces between different processes. This is not enough, because individual processes must work together seamlessly in order for a company to be economically success.

WEAKNESSES BETWEEN DYNAMICS AND ROUTINE

Managing complexity and dynamics as well as utilizing suitable instruments are part of day-to-day business in many industrial or- ganizations. Standardization, modularization, platforms and construction kits are being continuously developed as a toolbox. 63 percent of those surveyed consider themselves well positioned in this regard, and they are also confident about their position to handle processes at a faster pace. This leads to a sense of security: Only about half of companies continuously ensures processes with risk management strategies.

To what extent do you pay attention to an even balance between dynamics and routine?

"Applies" and "applies more or less"

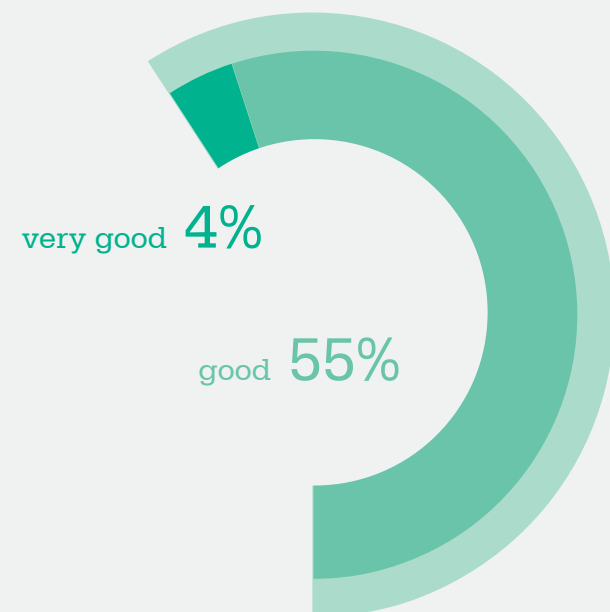|	
We manage complexity with meaningful instruments and develop them continuously [...]	63%
We are able to accelerate processes	58%
Innovations are driven systematically and routinely by us	58%
Our risk management system continuously secures our processes	53%
Creative processes are designed in a structured manner	40%

The results also show that four out of ten respondents fail to drive innovations in a systematic and routine manner. So they refrain from successfully using existing development potential. Moreover, not even half of the companies surveyed resort to their creative processes for clearly defined instruments and structures.

THE ROADMAP IS CLEAR

The desire to counteract the complexity and high pace of change in our world is great.

But to what extent do organizations manage to actually adapt their processes to change? In reality the results are split: 59 percent of respondents consider themselves good to very good at setting the course for the future – less than 2017. Around a third of companies feel that they are lagging behind today.

To what extent do you succeed in continuously adapting processes to changes?

very good **4%**

good **55%**

59% believe that

that they are good to very good at

adapting processes to changes

"Development, purchasing, sales and distribution currently have the most potential for optimizing processes."

Peter Reinhard, Coordinator JUMO Production System (JPS), JUMO GmbH & Co. KG

5.3
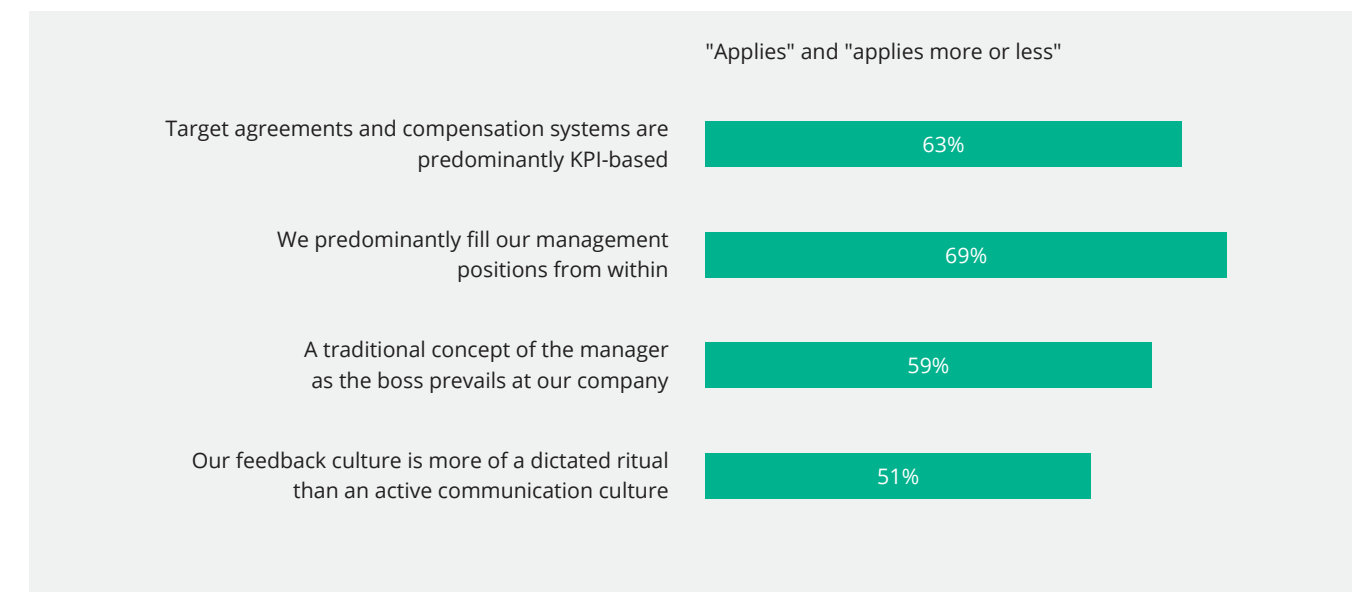# Leadership and corporate culture for change

CHANGE READINESS IS AN INTERNAL PROCESS

Structures and processes form the basis for managing change. However, without good leadership and a corporate culture that embraces a pioneering spirit and individual responsibility, nobody can look to the future with confidence. In addition to developing and qualifying employees, leadership and corporate culture form the internal program with which an organization can tackle change. Senior executives and managers have a huge impact on the attitude and mindset that drives change. Are employees inspired by a positive culture of errors and practiced values? Both strengthen people and foster trust in management and the entire organization to take on a new challenge.

TRADITIONAL UNDERSTANDING OF LEADERSHIP IS TENACIOUS

A company's prevailing leadership and performance culture can be defined with various indicators. In addition, about two-thirds of companies surveyed still prefer target agreements and remuneration systems, which are largely traditionally based on KPIs. Just as many respondents as two years ago fill leadership positions primarily from within.

Which leadership and performance culture prevails in your company?

"Applies" and "applies more or less"

Target agreements and compensation systems are predominantly KPI-based	63%
We predominantly fill our management positions from within	69%
A traditional concept of the manager as the boss prevails at our company	59%
Our feedback culture is more of a dictated ritual than an active communication culture	51%

"Leaders must exemplify cultural change."

Uwe Kämmner, Plant Manager, Gelita AG

Companies rely on experienced employees with a high level of knowledge about the organization, its products and services. This ensures that they are playing it safe by applying existing business models, but also poses a risk: There is a lack of exchange of ideas and opportunities for fresh momentum. Especially when it comes to digital transformation, an outside perspective is necessary, and lateral thinkers and positive provocation are in demand. Because this is exactly what defines disruptive companies: Those outside the industry, founders who are not familiar with the typical manner of thinking and are unsatisfied with traditional methods and therefore develop a different, better solution.
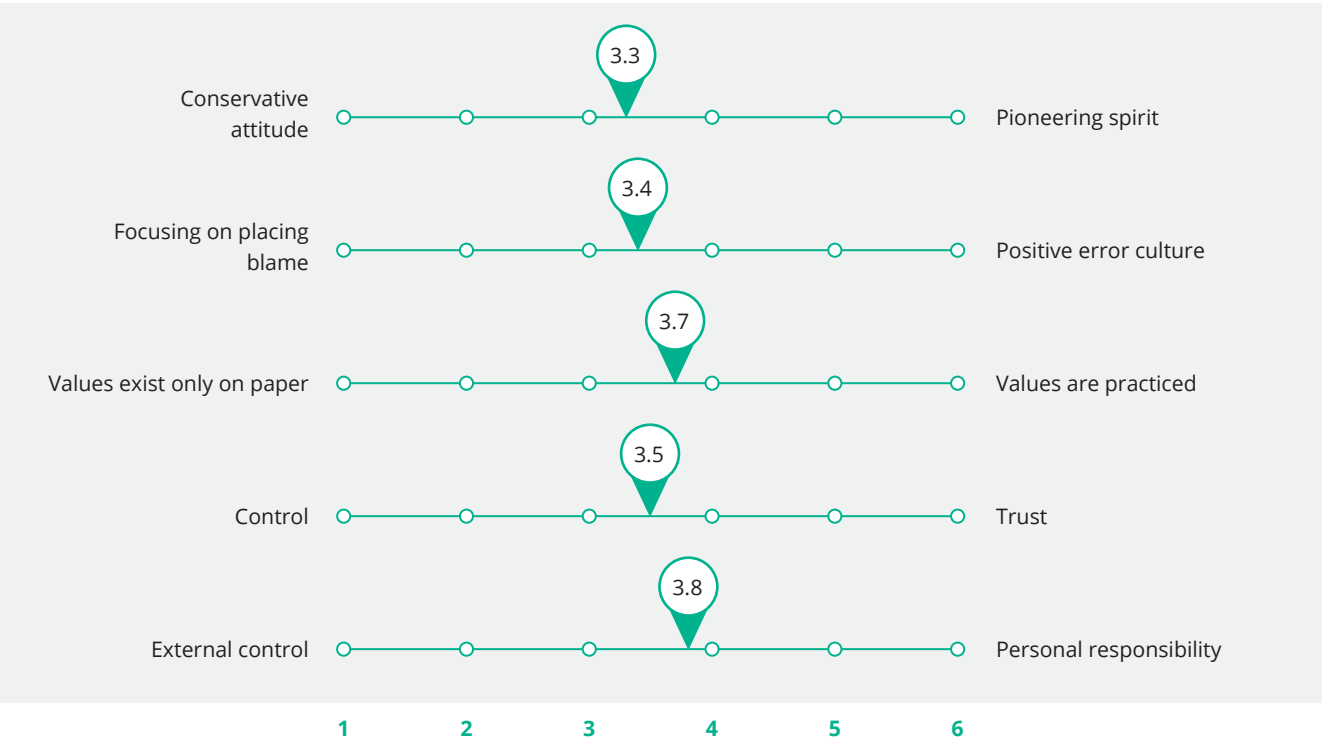
Questioning leadership style reveals different philosophies: In more than half of the companies surveyed, the traditional concept of the manager as the boss is widespread. Only 41 percent of companies have a modern understanding of leadership, which only for every second company is part of an active communication culture and not a dictated ritual.

PERSONAL RESPONSIBILITY AND PRACTICED VALUES

Modern corporate cultures that thrive on a pioneering spirit, trust, personal responsibility and a positive culture that embrace mistakes, are spreading very hesitantly as compared to results in the 2017 study. A small and even slightly decreased majority of those surveyed note a positive trend in their own company in this regard.

Results tend to be in the middle range. Currently, companies are unable to take a clear stand between a conservative attitude and a pioneering spirit, or event between control and trust. At the same time, a thoroughly self-critical view of the top executives surveyed reveals that fostering culture in companies is a truly Herculean task.

How would you describe the corporate culture of your company in general? (Expressed in mean values)

When it comes to managing errors, the tendency towards a positive culture of errors has weakened. Every second company looks to place blame rather than find the solution to a problem.
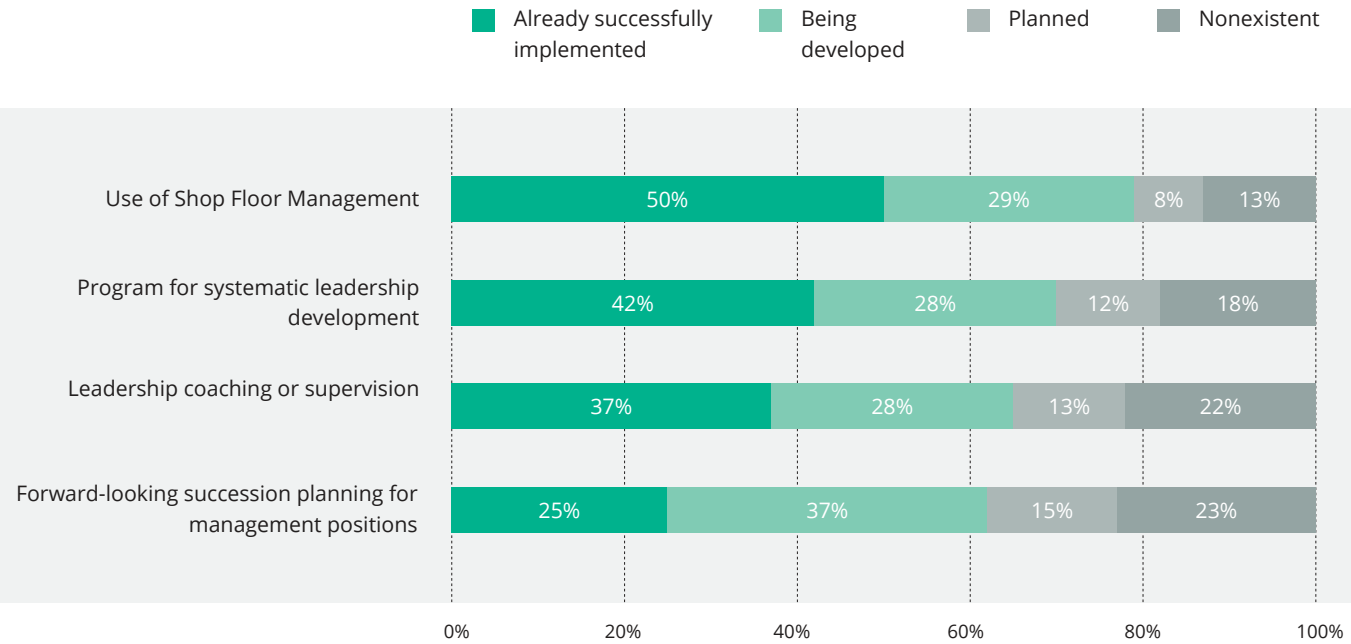
Respondents clearly followthe core philosophical elements within their organization: Values are lived in the majority of companies. Similar emphasis is placed on personal responsibility – only a third of respondents strongly approve of external control.

GOOD LEADERSHIP NEEDS SUPPORT

It is undisputed that leadership plays an essential, if not the central role, in transforming companies. It is all the more interesting to find that good leadership is actually promoted. Shop Floor Management has been implemented by exactly half of the companies surveyed, well over a quarter are still in the process of developing corresponding Lean systems.

The increase as compared to 2017 indicates that the companies have been initiating change. Only about every eighth company does not use Shop Floor Management.

How is good leadership promoted in your company? Which instruments do you already use?

Programs for systematic leadership development are similarly widespread. They are already part of the fixed repertoire for 42 percent of the respondents; in just as many companies, they are currently being developed or planned. Companies seem to find it rather difficult to provide access to personalized support programs for their executives – for example in the form of coaching or supervision. Only 37 percent have successfully implemented appropriate tools. Compared to 2017, there has been no change here. However, about 40 percent of companies are in the development or planning stage – more than in the previous study. This suggests that leadership development has been recognized as an important component of change management by the overwhelming majority of companies, but implementation is not as easy.

Nevertheless, every fifth participant in the study has categorized this topic in their organization as nonexistent.

It is alarming that although companies complained for years about a lack of management and skilled workers, only a quarter of companies utilize instruments for forward-looking succession planning and just over a third is currently focused on developing tools of this kind. Every fifth company entirely forgoes such developments. So it is not surprising that every third company experiences major problems in filling its leadership positions. An outdated understanding of careers as well as a lack of balance between the attitudes and life goals of different generations make a company increasingly unattractive for coveted top workers.

Two years ago, every second company admitted having difficulty in nailing down an adaptable corporate culture within the company. These difficulties have not diminished since then, because now almost 60 percent of companies admit facing this problem.

Not even generational problems have decreased. On the contrary, just as many companies see themselves as particularly challenged by the coexistence of different generations.

How well are the employees in your company prepared for the working world 4.0?

"Applies" and "applies more or less"

It is difficult for us to anchor forms of leadership in the company that support change [...]	59%
Here, there are generational clashes caused by different attitudes, abilities and life goals	58%
We follow an outdated understanding of leadership and career	48%
We have big problems to fill leadership positions	30%

It is especially surprising that two years ago, around a third of companies realized they were following an outdated understanding of leadership and careers. This share of companies had a positive effect, as two out of three companies emphasized their modern understanding of leadership geared towards change and digitization. By contrast, the latest data show that every second company has a traditional understanding of leadership.

This is a dramatic development as the missionaries of modern corporate culture have not remained idle in recent years. Everyone should be aware of the relevant criteria. Are the current results a form of late self-understanding?

It is clear that companies are encountering significant problems in introducing a contemporary corporate culture. This could include, for example, resistance in upper and middle management, but also much too little commitment from top management. If top management insists on a traditional understanding of leadership, the bad example will catch on: The lower levels of the hierarchy will see no reason to act any differently.

"The tasks and competencies of leaders of tomorrow must transform so that they can successfully accompany change and help shape it. The challenge here is getting all executives on board – even if faced with resistance."

Vera Bächle, Continuous Improvement Management, Dürr AG

5.4
Employees and qualifications for change

"Currently, society, politics and education are not keeping up with change. As a result, the focus on current topics in university programs and schools is far too limited.
As a result, business is forced to take on the additional task of further education and training."

Olaf Wiegand, Production Manager, ifm electronic Gmb

KNOWLEDGE AND WILLINGNESS TO CHANGE

Medium-term, digitization of the globe will redefine human's role in the working world. The idea that machines will replace human's contribution to the success of a company is long outdated. Today, human-machine collaboration is expected to take place hand in hand. As the world of work changes, employees need to be prepared for the challenges of tomorrow.

Shaping this development is vital factor in ensuring the success of this transformation – this is all the more true as entire professions, work organizations and communication structures begin to change. The process of getting employees ready occurs on different levels. Developing knowledge and qualifications lay the foundation. At the same time, the internal attitude must be right: Without embracing an openness for new things and a willingness to break new ground or even embark on an uncertain journey, the workforce will inevitably stall.

OPENNESS AND FOCUS
ON THE TASK

After all, 70 percent of companies surveyed state that their employees are highly or even very highly willing to face the new challenges of the future. Also, two-thirds describe their workforce today as diverse. As such, the different qualifications, talents, work experience and personalities provide a rich portfolio that employers can rely on for future tasks. In fact, 62 percent of employees are open to modern leadership, including its tools and beliefs.

How well are the employees in your company prepared for the working world 4.0?

"very good" and "good"

Willingness to face new challenges	70%
Diverse composition of the workforce with different qualifications, talents, work experience and personalities	68%
Openness of employees towards instruments and behavior of modern management	62%
Current state of knowledge on topics such as Industry 4.0, digitization and internationalization	42%

Companies have motivated and diversely talented employees. In addition, the topics of Industry 4.0, digitization and internationalization are very present and are not only being discussed in-depth in the industry media alone. This is slowly having an effect on the knowledge base within companies. Over the past two years, much as happened here. 42 percent of employees – according to assessment by their superiors – now have sufficient knowledge regarding digitization. There is still much room for improvement in this regard, but after all, there is now a significant number of employees in companies who are familiar with digitization and are thus able to handle it better.

At the same time, however, caution has also increased, as readiness for new tasks and openness to new management tools have decreased over the past two years. This may indicate a problem between theory and practice: Respondents are aware of the challenges of the future, yet they still have difficulties with implementation.

Companies surveyed can rely on the support of their workforce as a solid foundation in turbulent times.

93 percent describe their employees as loyal, and the same is true of team spirit among employees. They care deeply about the organization that they work in each and every day. 86 percent of respondents say employees are proud of their employer.

First, the good news: Companies have recognized the value of IT-supported training along with eLearning and self-learning. Meanwhile, more than one third of companies have successfully implemented the relevant tools and a quarter have initiated corresponding projects. However, a quarter is made up of resisters with no specific eLearning initiatives.

To what extent do your employees identify with the company?

"Applies" and "applies more or less"

Our employees are loyal to their employer	92%
The team spirit among the employees is high	93%
Our employees are proud of their employer	86%
Confidence in executives is high	62%
Our employees act according to the motto "work-to-rule"	28%
There is more of a culture of mistrust in our company	22%

What is your company doing to make employees fit for the flexible working world 4.0?

Legend: ■ Already successfully implemented ■ Being developed ■ Planned ■ Nonexistent

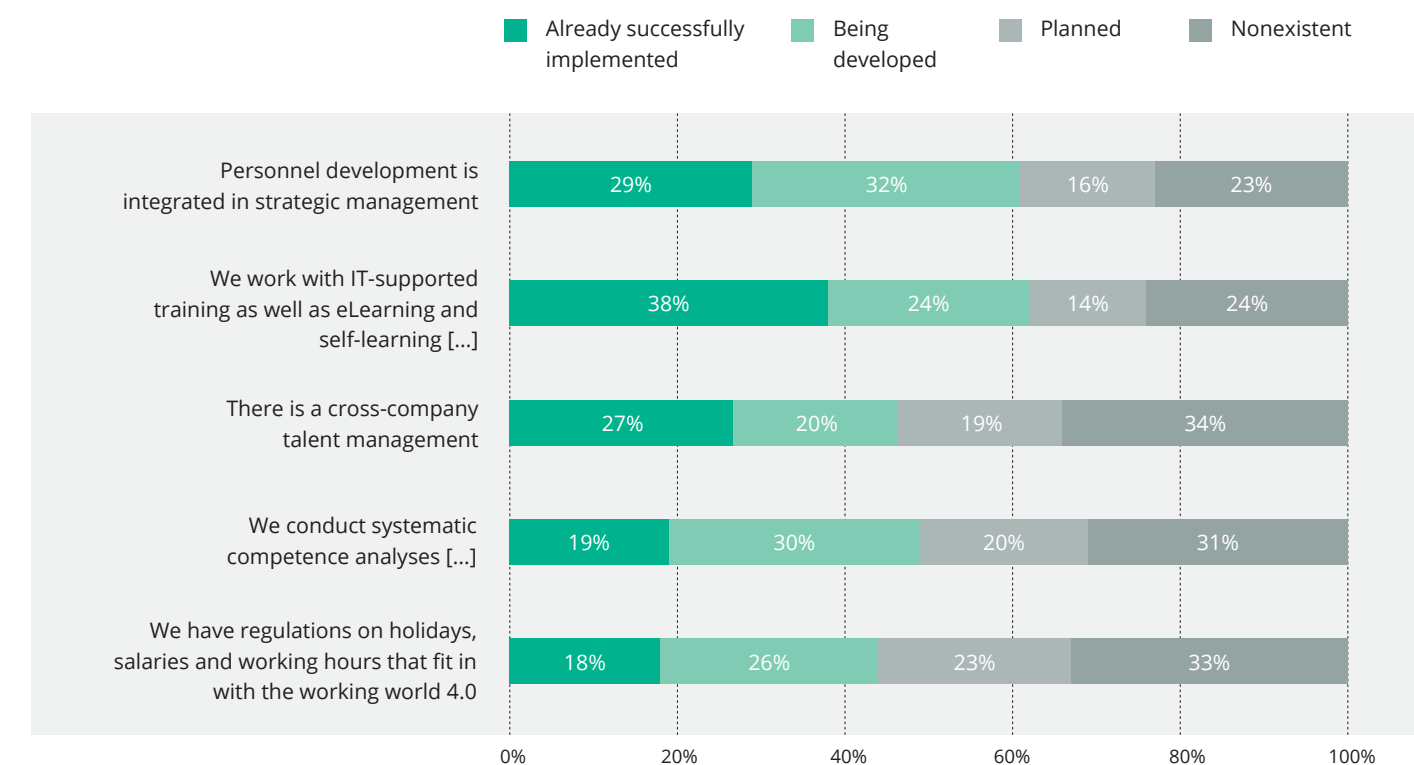|	Already successfully implemented	Being developed	Planned	Nonexistent
Personnel development is integrated in strategic management	29%	32%	16%	23%
We work with IT-supported training as well as eLearning and self-learning [...]	38%	24%	14%	24%
There is a cross-company talent management	27%	20%	19%	34%
We conduct systematic competence analyses [...]	19%	30%	20%	31%
We have regulations on holidays, salaries and working hours that fit in with the working world 4.0	18%	26%	23%	33%

0% 20% 40% 60% 80% 100%

The basis for this support, however, comes from the daily behavior of executives. Uncertainty has decreased here over the past two years. Two years ago, three-quarters of the surveyed executives perceived the relationship in the company as trusting. Currently, the number is significantly less than two-thirds (62%). Accordingly, more managers perceive their employees as disillusioned: 28 percent of respondents find that work-to-rule is the norm in the workforce. Two years ago, this was only at 18 percent.

In addition, more respondents note that there is no trust in their companies. Two years ago, only one in six and this year one in five respondents attested to a culture of distrust that is likely to be highly counterproductive to the successful implementation of change.

However, with respect to personnel development, it appears that companies are taking a step backward, because less than a third of companies have incorporated these kinds of concepts into their strategic corporate governance – which is less than two years ago. This indicates quite a few failed projects. This corresponds to a consistently low number of companies that utilize systematic competence analyses and comprehensive talent management. In addition, the number of projects initiated has dropped. Obviously, many companies have difficulty integrating HR into digital transformation.

But there is still progress on specific rules for the working world 4.0: The number of successful measures has increased, as have the number of projects started. There are also fewer resisters and only a third of companies have yet to adapt to New Work.

The companies surveyed continue to struggle with the challenges of digitization and Industry 4.0 when it comes to human resources management. For example, just over two-thirds of companies do not have a clear picture of viable requirement profiles for their employees. Resources for further education are also still too low. Even worse: Knowledge management is clearly barely being used. In 2017, one in three companies recognized a lack of knowledge about the talents and special abilities of their employees. There has been no improvement here. On the contrary, in 2019, every second company give rise to this complaint.

What challenges does your company face in personnel management?

"Applies" and "applies more or less"

There is uncertainty about future-proof requirements profiles of employees in the age of Industry 4.0	65%
We have great problems finding suitable employees	62%
There are too few resources for necessary support and further education measures	53%
There is a lack of knowledge about the talents and special abilities of our employees	48%
Our employees have little interest in personal development	18%
Our employees perceive their daily work as meaningless	19%

Another HR challenge relates to staff shortages: A large percentage (62%) of companies report difficulties here, which is an increased as compared to two years ago (55%). One of the reasons may be a declining interest among employees in their personal development.
The development of employees' attitude is alarming: It is getting worse rather than better.

Two years ago, only nine percent of respondents reported that their employees complained of pointless tasks, which this year has increased by more than twice that number (19%). Although there is a great deal of New Work and meaningful work, there is obviously a communication problem in more and more companies.

"The question is, can we really continue to digitize more and more without losing sight of human factors?"

Alexander Bauer, Managing Director, Purvegan GmbH

6 Results and Outlook

Based on the data collected, an average Change Readiness Index (CRI) of 55 on a scale of 1 to 100 points was calculated for German companies – 3 points less than two years ago. This slightly negative development is not dramatic, but clearly shows that companies still have a long way to go.

COMPANIES HAVE A LONG WAY TO GO

Especially when looking closer at the four areas examined for the index, one possible reason for the decline can be identified: Corporate structures are much more persistent than the perhaps overly optimistic outlook of 2017 suggests. The smallest decline was in the area of employees and qualifications, meaning employees are more prepared for change than, for example, executives. This continues to be a weakness of companies when it comes to change readiness. The role as a leader in change processes does not seem to be quite as easy to implement and requires a greater change than assumed.

Change Readiness Index (CRI) of German companies by area

on a scale from 0 = "not at all" to 100 = "completely"	2019	2017
Overall index	**55**	**58**
Structures area	55	60
Processes area	56	60
Leadership area	52	55
Employees and qualifications area	57	58

THE CHALLENGE OF CHANGE

When comparing the areas, what is clear is that the automotive industry continues to eagerly tackle the challenge of change. Nevertheless, its value has declined dramatically, and so uncertainty in this area can also be seen in the Change Readiness Index. Over-all, the differences between the individual areas have decreased as compared to two years ago. The general decline indicates an economically subdued mood. Companies, however, have not remained idle over the past two years and have in fact launched numerous initiatives and projects. However, more experiences equate to greater knowledge and thus also knowledge relating to the efforts on the different levels and any associated unreasonable demands.

Change Readiness Index (CRI) of German companies by industry

on a scale from 0 = "not at all" to 100 = "completely"

		2019	2017
⚙	Mechanical and plant engineering	53	57
🚗	Automotive industry	55	61
🔌	Electronics industry	55	59

The greater digitization and disruption is spread among the three focus industries of this study, the more it becomes apparent that change is a moving target, or perhaps even an experienced "permanent state" with all its consequences on organizational, team and leadership levels. Once again, this is most apparent in the automotive industry: Until just a few years ago, electro-mobility was still considered an exotic topic for tech-interested early adopters. This year, some manufacturers are now talking about using electric mobility only over the next decade.

In short, there are disruptive developments that no company can ignore – at least not without the risk of disappearing from the market. Here, change readiness is vital to survival. The Change Readiness Index shows that companies need to keep on track with the latest developments when it comes to overcoming challenges.
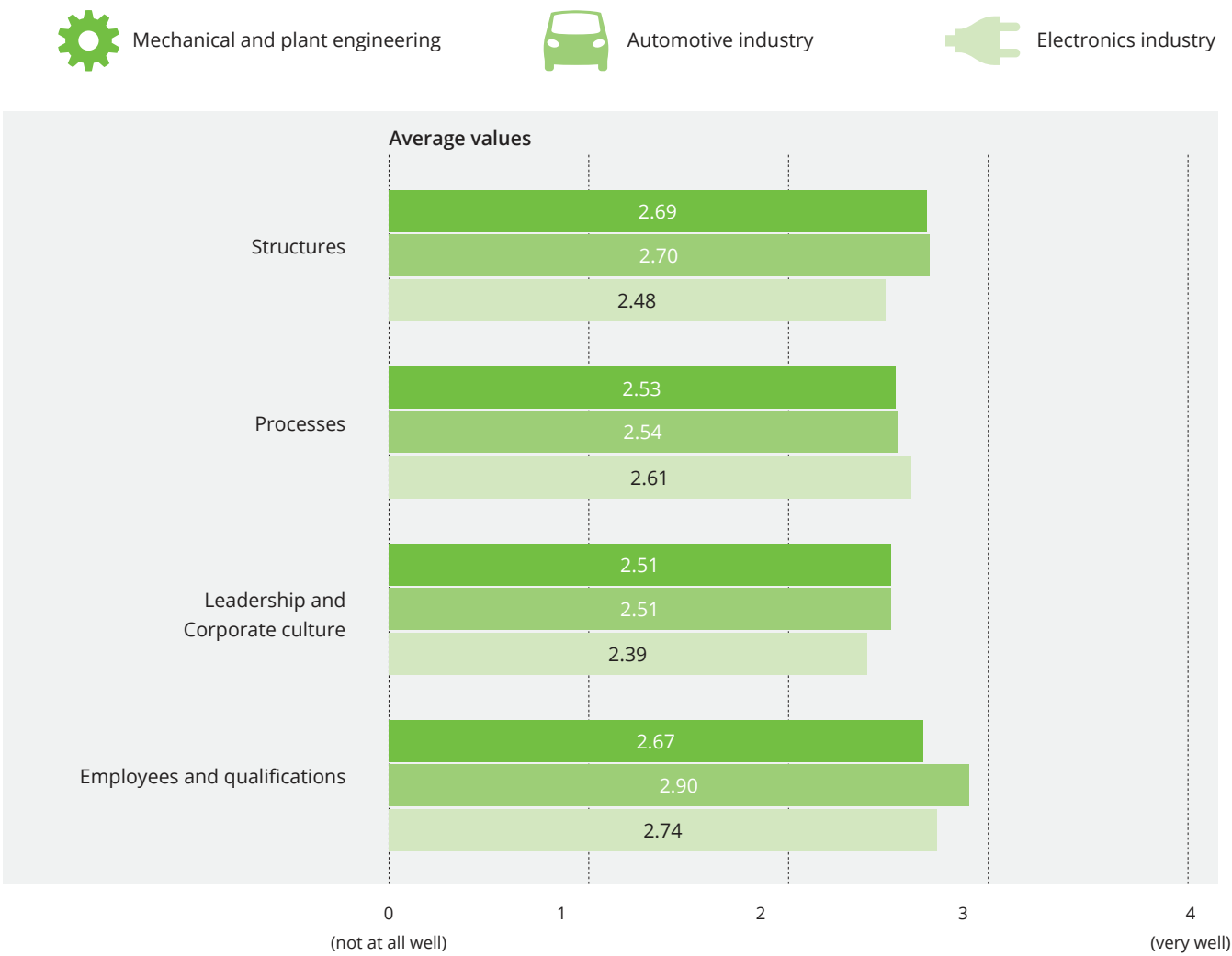
SELF-IMAGE: CAREFUL OPTIMISM

The self-image of companies has changed slightly over the last two years. It is slightly less positive and companies are slightly less convinced of their own performance. The average self-assessment is satisfactory, with only a few companies considering themselves to be very well prepared for the future. However, at least every second company in each area of the Change Readiness Index attests to being well or even very well prepared.

To what extent do you see your company prepared for the future in the following areas?

Average values ■ 2019 ■ 2017

Area	2019	2017
Structures	2.71	2.86
Processes	2.58	2.75
Leadership and corporate culture	2.54	2.76
Employees and qualifications	2.75	2.80

0 (not at all well) — 1 — 2 — 3 — 4 (very well)

There are not many differences between each of the industries; the assessment is very similar. However, what is abundantly clear is that the automotive industry feels that it is quite well prepared and, above all, relies on its well-trained and experienced employees.
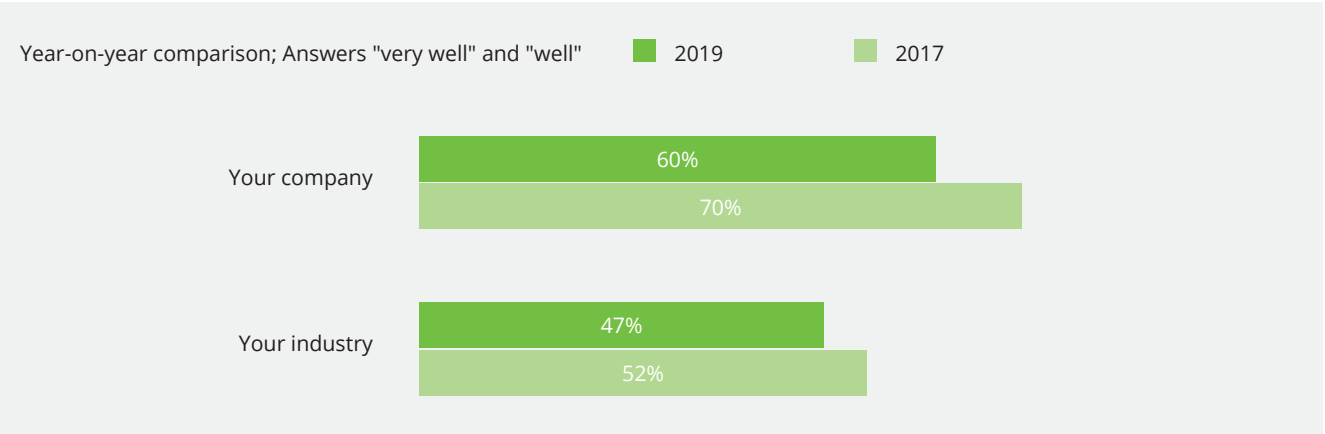
To what extent do you see your company prepared for the future in the following areas?

⚙ Mechanical and plant engineering   🚗 Automotive industry   🔌 Electronics industry

Average values

Structures
- 2.69
- 2.70
- 2.48

Processes
- 2.53
- 2.54
- 2.61

Leadership and Corporate culture
- 2.51
- 2.51
- 2.39

Employees and qualifications
- 2.67
- 2.90
- 2.74

| 0 | 1 | 2 | 3 | 4 |
| (not at all well) | | | | (very well) |

Respondents' opinion with respect to the adaptability of their own company and the industry has become more restrained as well and the corresponding values have seen a significant decrease as compared to 2017. Yet the phenomenon among the companies surveyed of largely assigning a greater level of adaptability to themselves than the average of their industry has remained unchanged.

In particular, the positive self-image of smaller companies with an annual sales of less than 50 million euros is noteworthy. Almost three quarters of them rate their own level of adaptability as good or very good. This assessment is certainly based on reality. Smaller SMEs can often make decisions at a much faster pace and suffer less from excess bureaucracy. It is interesting that while 60 percent of large companies with a sales in excess of one billion euros still consider themselves to be adaptable; in the 250 to 500 million euro sales category, i.e. the "traditional middle class," this figure is only at 50 percent.

Please judge the responsiveness to change …

Year-on-year comparison; Answers "very well" and "well"   ■ 2019   ■ 2017

Your company
- 60%
- 70%

Your industry
- 47%
- 52%

EXTERNAL IMAGE: THE NEED FOR ACTION REMAINS HIGH

In many contexts, there is a clear discrepancy between one's self-image and an external perspective on things. This study combines how an organization perceives its readiness for change, as was queried with additional survey questions, with the companies' actual situation as reflected in the Change Readiness Index.

Here as well, we see a clear gap in perception, as was also the case in the Change Readiness Index 2017. Around two-thirds feel well or very well positioned in the areas of structures, processes, leadership and corporate culture, as well as employees and qualifications, and by comparison around one-third report a need to catch up.

Given the widespread professional involvement with processes and procedures, it is not surprising that the deviation from perceived and actual adaptability is minor. Meanwhile, process-oriented thinking impacts planning in many industrial organizations.

An interesting detail can be seen in the comparison to 2017. In 2017, the greatest discrepancy between gut instinct and real facts was in the area of leadership, while now in 2019 the widest gap is in the area of structures.

The Change Readiness Index 2019 makes it clear that the discrepancy between aspiration and reality in companies remains high. Although the self-assessment is somewhat less optimistic, the actual index, which is calculated based on the detailed answers in the four areas of structures, processes, leadership and employees/qualifications, clearly shows that the situation among companies has not improved. The differences in the values are not significant enough to speak of any true regression. Yet the results are alarming.

Many companies remain confident, but among some, a defensive attitude to change seems to be spreading. Is this because too many projects have failed over the last two years? Or is it an expression of the general sentiment within the economy? Either response is possible, but in both cases companies need to respond with a bold strategy. After all, there is no stopping digital change.
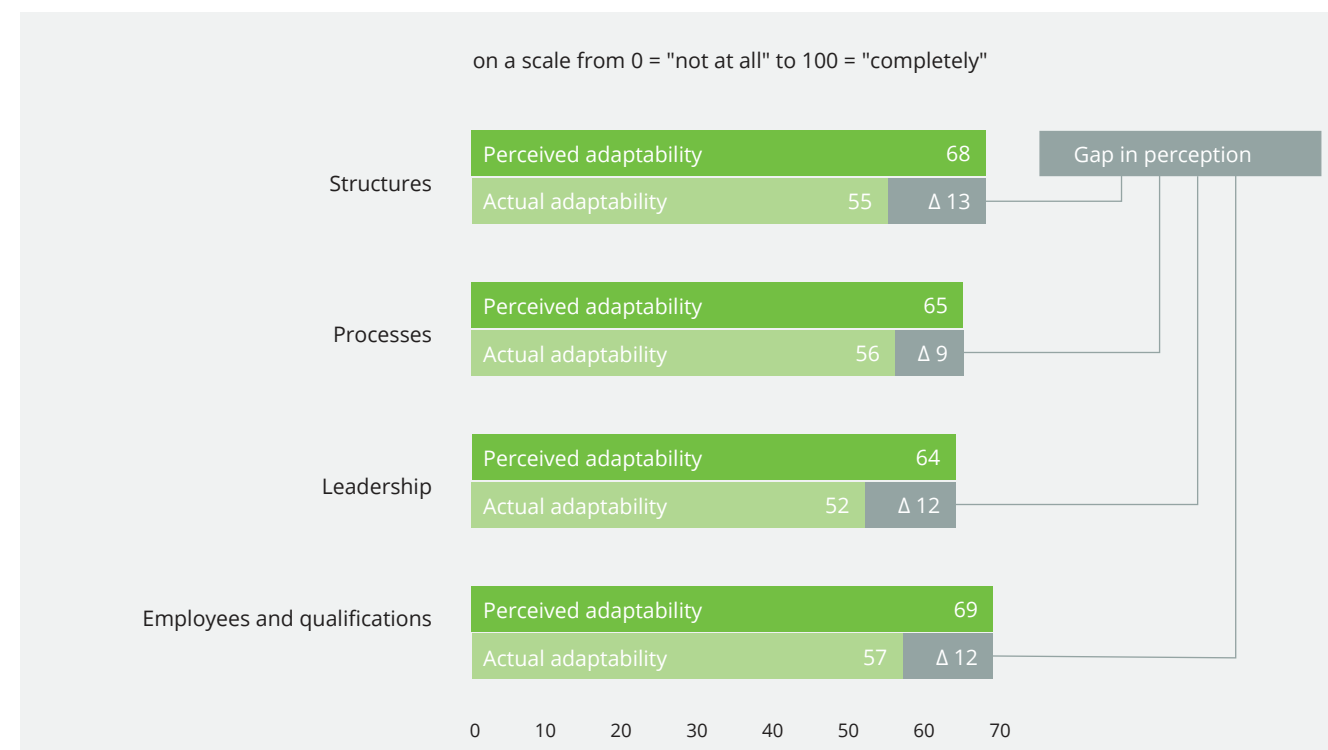
PERCEIVED AND ACTUAL ADAPTABILITY

Anyone who wants to change must first acquire a realistic picture of their own initial situation. As such, the Change Readiness Index compares the general self-assessment of companies (perceived adaptability) to the company's actual level of adaptability. This is calculated based on the detailed answers given by the companies in the four areas of structures, processes, leadership and employees/qualifications. The perception gap resulting from the comparison is not evidence of unrealistic expectations. Instead, it makes it clear that changes should not be triggered based on a gut feeling alone, but require real analysis.
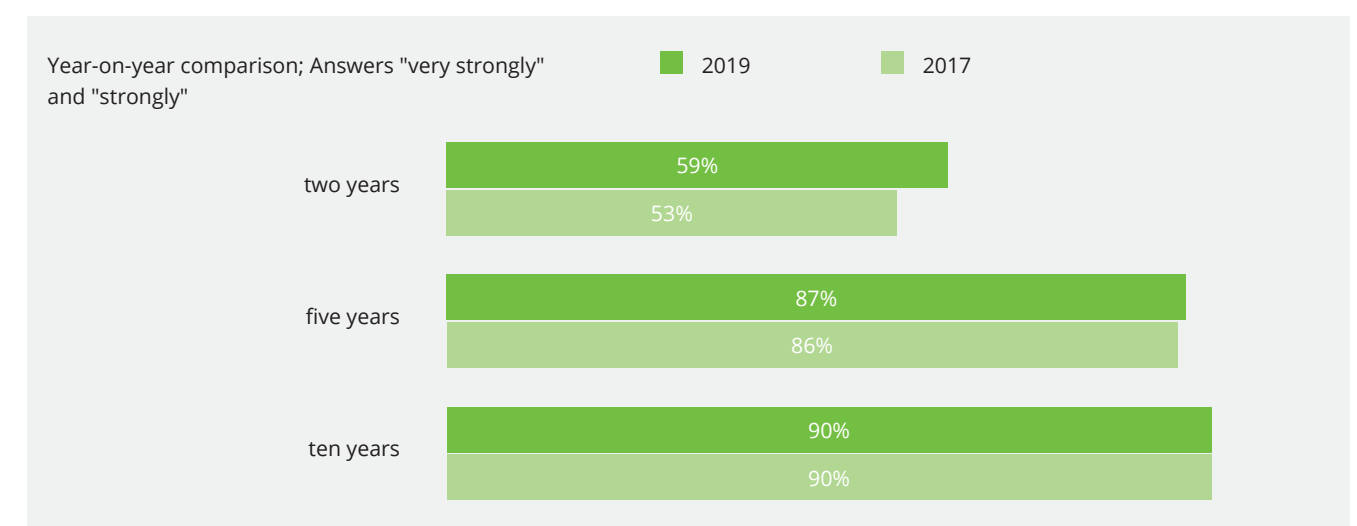
CHANGE IS ACCELERATING

Respondents in this study had to admit that they were wrong in their assessments of the coming change two years ago: They clearly underestimated it. When looking at the next two years, significantly more companies than in 2017 assume that they will undergo change strongly or even very strongly. Are companies prepared for this? The decline in the Change Readiness Index is not a cause for fear, but it does urge companies to not let up with respect to adaptability despite potential setbacks.

Assessment of adaptability

on a scale from 0 = "not at all" to 100 = "completely"

	Perceived adaptability	Actual adaptability	Gap
Structures	68	55	Δ 13
Processes	65	56	Δ 9
Leadership	64	52	Δ 12
Employees and qualifications	69	57	Δ 12

Gap in perception

0 10 20 30 40 50 60 70

To what extent will your company change in the years ahead?

Year-on-year comparison; Answers "very strongly" and "strongly"   ■ 2019   ■ 2017

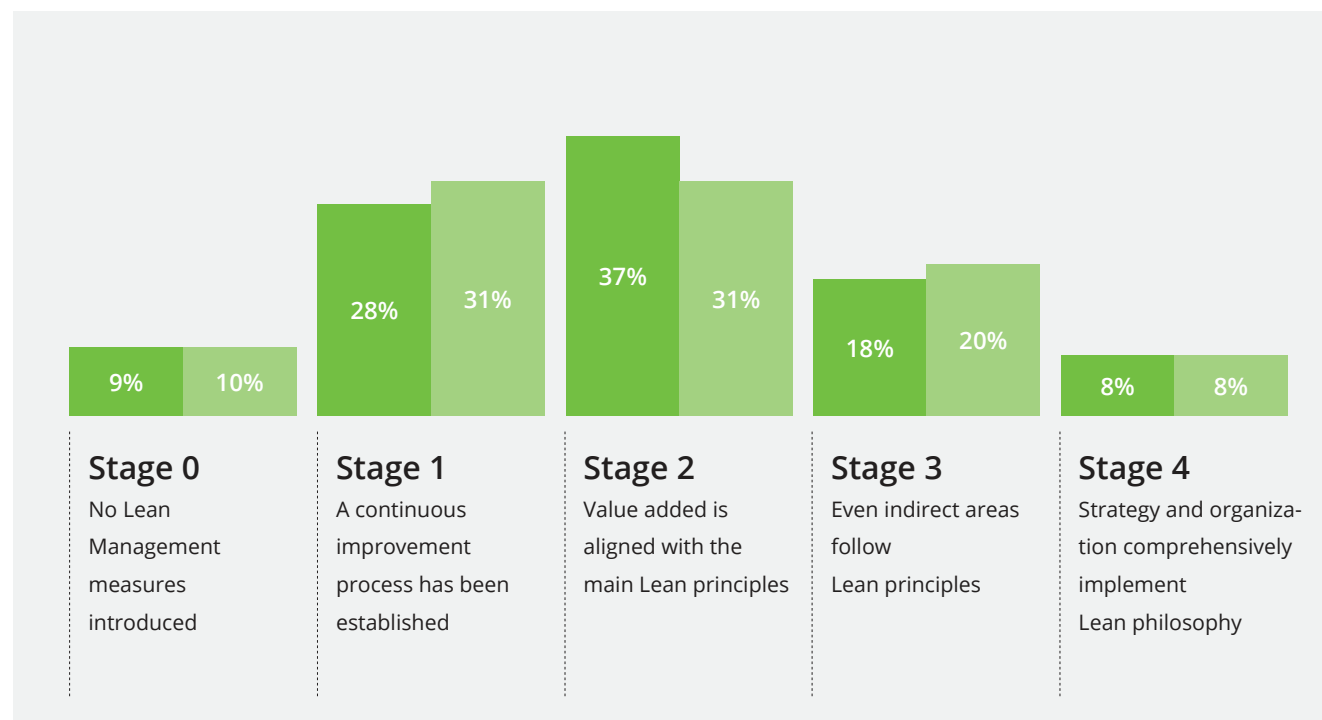|	2019	2017
two years	59%	53%
five years	87%	86%
ten years	90%	90%

SUCCESS FACTOR LEAN MANAGEMENT

Change is coming. Yet, how can companies prepare for it? An important success factor for all companies is Lean Management, which works in all surveyed fields of action.

To what extent has Lean Management established itself in your company?

Year-on-year comparison; Answers "very strongly" and "strongly"

■ 2019 ■ 2017

	Stage 0	Stage 1	Stage 2	Stage 3	Stage 4
2019	9%	28%	37%	18%	8%
2017	10%	31%	31%	20%	8%

Stage 0 No Lean Management measures introduced

Stage 1 A continuous improvement process has been established

Stage 2 Value added is aligned with the main Lean principles

Stage 3 Even indirect areas follow Lean principles

Stage 4 Strategy and organization comprehensively implement Lean philosophy

This shows that only nine percent of companies surveyed have not yet introduced any Lean management measures. More than a quarter have established a continuous improvement process and slightly more than one third comprehensively align their added value with the main Lean principles. In addition, about a fifth has also implemented Lean principles in indirect areas.

This means that a sizeable majority of companies swear by Lean Management and are going down that path. However, only eight percent of companies fully embrace the Lean philosophy in their strategy and organization – just as many as in 2017.

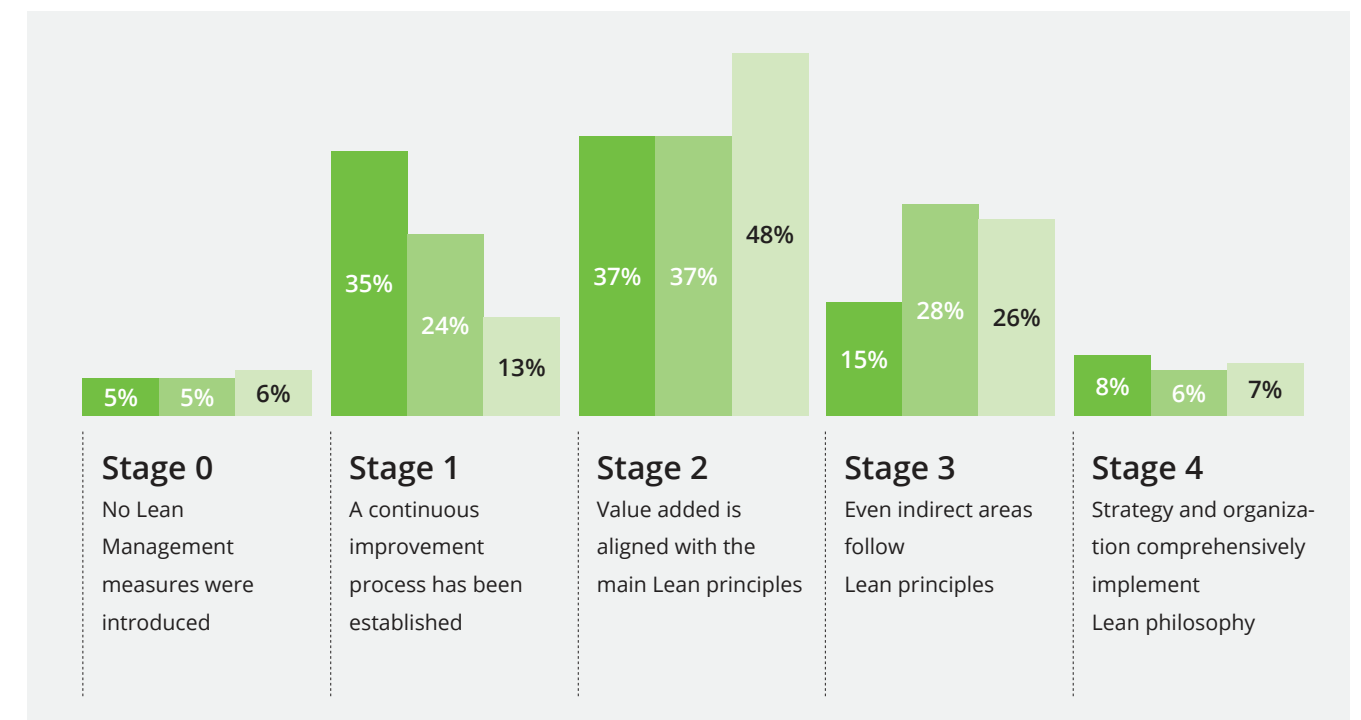### To what extent has Lean Management established itself in your company?

⚙ Mechanical and plant engineering 🚗 Automotive industry 🔌 Electronics industry

	Stage 0	Stage 1	Stage 2	Stage 3	Stage 4
Mechanical and plant engineering	5%	35%	37%	15%	8%
Automotive industry	5%	24%	37%	28%	6%
Electronics industry	6%	13%	48%	26%	7%

Stage 0 No Lean Management measures were introduced

Stage 1 A continuous improvement process has been established

Stage 2 Value added is aligned with the main Lean principles

Stage 3 Even indirect areas follow Lean principles

Stage 4 Strategy and organization comprehensively implement Lean philosophy
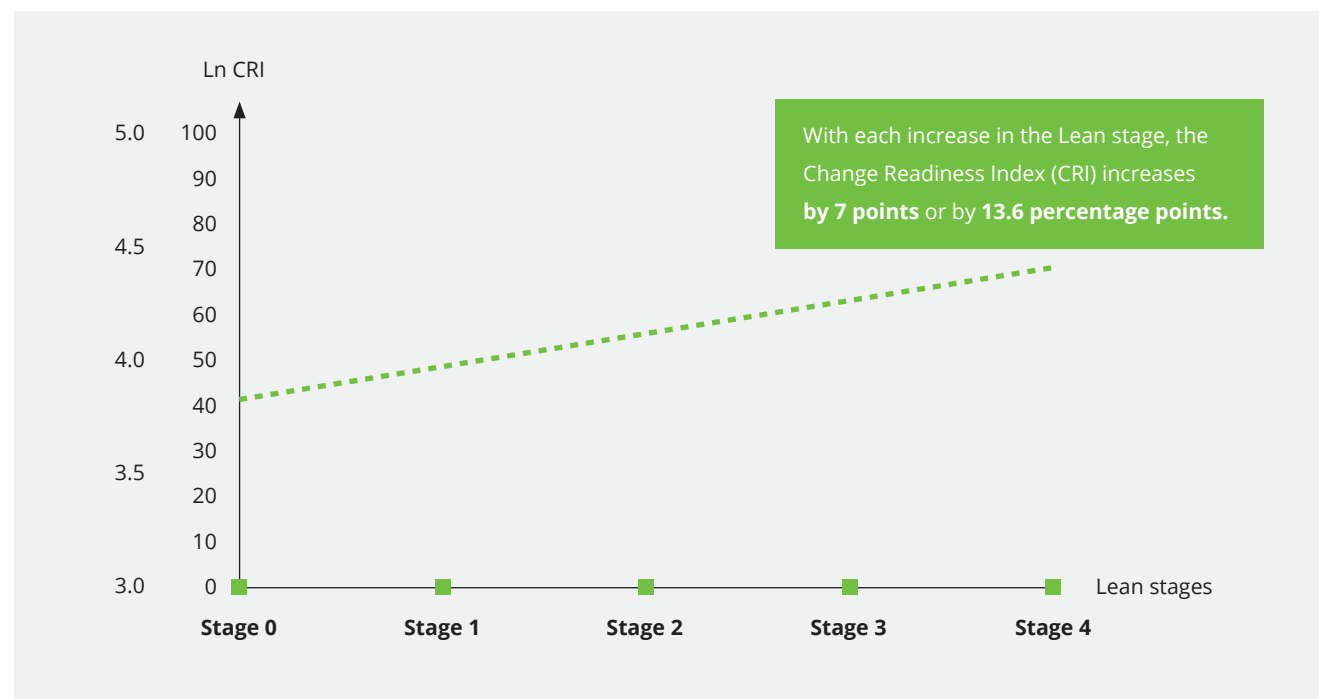
When comparing industries, it is clear that the electronics industry is significantly farther ahead in implementing fundamental Lean principles than those companies in mechanical and plant engineering and in the automotive industry. In terms of added value, every second electronics company follows the main principles of Lean management, and a quarter has transferred them to indirect areas as well.

LEAN ENTERPRISE: ADAPTABLE COMPANY

Lean management, when implemented properly, has proven its long-term value in German industry. This is because it turns companies into learning organizations, enabling them to quickly adapt to changes and challenges.

This is also shown in this study: Consistent implementation of Lean Management in all areas of a company has demonstrably improved change readiness. Any increase in Lean maturity causes the CRI to increase by 7 points. In other words, moving to the next Lean stage increases the CRI by 13.6 percentage points. This proves that Lean Management makes companies more versatile and paves the way to a sustainable organization.

Relationship between the degree of implementation of Lean Management and the adaptability of companies

Ln CRI

With each increase in the Lean stage, the Change Readiness Index (CRI) increases **by 7 points** or by **13.6 percentage points.**

Stage 0	Stage 1	Stage 2	Stage 3	Stage 4

Lean stages

"What will become increasingly important will be to establish Lean Management and Industry 4.0 in the office. It is also existential to merge Lean Management and Industry 4.0."

Daniel Lehn, APS and Lean Manager, AlfmeierPräzision SE

7

Conclusion

The Staufen AG Change Readiness Index 2019 reflects the ability of companies to change. It identifies the ability of German industrial companies – from medium sized companies to large corporations – to adapt in the areas of structures, processes, leadership and corporate culture, and also with respect to employees and their qualifications.

Preparing for the challenges of tomorrow will be difficult for companies, and even more so than in 2017. However, the will to change is clearly evident. Companies are sure that change is on the horizon. Nevertheless, companies still only have a vague idea on which qualities and competencies will be needed.

Companies assess their efforts in the areas of processes and structures significantly more than in leadership culture – just as in 2017. Developing a contemporary leadership and corporate culture continues to be difficult for them. Results appear to be almost the same in the area of employees and qualifications, where changes as compared to 2017 are minimal. If interpreted in positively, what this means is that employees have undertaken considerable efforts. This can also be seen in their high degree of loyalty.

Despite growing skepticism in their own capabilities over the last two years, companies still tend to overestimate their change readiness. In an industry comparison, the automotive industry, which is facing particularly pressing issues in the future, has lost its edge in terms of adaptability. The electronics industry has now caught up.

The results also show major differences between companies. There continue to be a few pioneers and early adopters. Nevertheless, they all have room for improvement. The path to unlocking this potential can be demonstrated with a familiar and proven method: Implementing Lean Management – the clear result of this study – visibly improves the ability of a company to change. As compared to the 2017 study, this positive effect has in- creased more noticeably in 2019.

About us

We believe that inside every company there is an even better one.
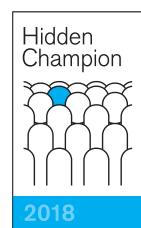
Staufen AG is a Lean Management consulting service and academy.
We have been advising and qualifying companies and employees for over 25 years.
Around the world.
Our goal is to make every company better and to advance our customers.
Our special approach is to quickly set the right changes in motion
and establish a sustainable culture of change.

OUR AWARDS

Hidden Champion 2015

Hidden Champion 2018

BEST OF CONSULTING 2011 — 1. PLATZ „SUPPLY-CHAIN-MANAGEMENT" Wirtschafts Woche

BEST OF CONSULTING 2016 — PROJECT EXCELLENCE „SUPPLY-CHAIN-MANAGEMENT" PRÄMIERT STAUFEN.AG Wirtschafts Woche

brand eins Thema 2014 BESTE BERATER

brand eins Thema 2015 BESTE BERATER

brand eins Thema 2016 BESTE BERATER

brand eins Thema 2017 BESTE BERATER Heft 6

brand eins Thema 2018 BESTE BERATER Heft 9

brand eins Thema 2019 BESTE BERATER Heft 1

GREAT PLACE TO WORK DEUTSCHLANDS BESTE ARBEITGEBER 2013

GREAT PLACE TO WORK 2017 Beste Arbeitgeber Deutschland

ASCO Award 2017 Best Business Transformation

ASCO Award 2018

GREAT PLACE TO WORK DEUTSCHLANDS BESTE ARBEITGEBER 2015

Figures. Data. Facts.

25 Years of experience

65 M. € revenue

50 Different Lean und Six Sigma trainings

320 Employees

> 500 BestPractice visits p. a.

17 Languages

> 5,000 Seminar participants p. a.

> 70 BestPractice Partners

> 90 Active trainers and coaching experts

ISO 9001 ISO 29990 Certified in accordance with AZAV

Studies and White Papers

All Staufen AG studies and white papers can be found online at

www.staufen.ag/studien

BEST STRATEGY 2018

INDUSTRIE 4.0

ERFOLG IM WANDEL

AUFTRAGS ABWICKLUNG

INDUSTRIE 4.0

LEAN LEADERSHIP

LEAN SERVICE IM MASCHINEN UND ANLAGEN BAU

INNOVATION 2016

25 JAHRE LEAN MANAGEMENT

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INSIDE EVERY COMPANY
THERE IS AN EVEN BETTER ONE.