

PRESS RELEASE

Study "Success in Change – Hungary": Change is mainly driven by technology, but it is not the only answer

In companies, structure, processes, management and corporate culture as well as employees and their qualifications must adapt towards change, only then can technological solutions promise success. The study "Success in Change – Hungary" shows that there is still room for improvement in these areas in the Hungarian economy. Companies are not yet ready for rapid changes.

Hungary is one of the more successful countries in Eastern Europe. Its dynamic development and close partnership with companies in Germany and other western EU countries have increased their economic performance. However, many companies are still organized in a traditional manner. 62 percent have a management culture that is strongly geared towards hierarchy. Moreover, around 64 percent of employees only work according to regulations and show little personal initiative. These are the results of the study "Success in Change – Hungary." The management consultancy Staufen extensively interviewed more than 100 Hungarian companies

A "Change Readiness Index" (CRI) was created from the results of the survey, which indicates the adaptability of Hungarian companies on a scale with a maximum of 100 points. By considering the areas of structures, processes, leadership and corporate culture as well as employees and qualifications, the index quantifies the ability of industrial companies to keep up with the current economic dynamism. The automotive and electronics industries as well as mechanical and plant engineering were examined.

The economy and the job market are changing rapidly

In Hungary, companies in the first two sectors are particularly important. They are characterized by the following market developments: The trade conflict between the USA and China, Brexit and the still uncertain development of electromobility, for example, have significantly increased market uncertainty. As

a result, companies have focused on cutting costs and holding back on investments.

At the same time, good economic development has caused changes in the labor market in recent years. The unemployment rate has fallen while wages have skyrocketed – and the trend is rising. This development causes high staff turnover among companies. They therefore urgently need to increase the loyalty of qualified employees, for example, through further training offers and improved management culture.

In general, Hungarian companies are undergoing a process of rapid change. 77 percent of managers stated in the study that their company was changing significantly or even very significantly. 67 percent of those surveyed attribute this dynamic to technological progress, digitalization and the increasing individualization of products.

Room for improvement in leadership culture

In this situation, creating a realistic picture of companies' own situation is important. However, the study shows that companies overestimate their willingness to change. There is a clear gap between perceived willingness to change and the actual measured Change Readiness Index. While this gap in perception is the smallest with regards to processes, the quality of leadership culture with an actual CRI value of 50 significantly deviates from the self-assessment with a difference of 17 points.

It shows that many companies still have a long way to go to establish a culture that is truly change-friendly in terms of personal responsibility, trust, positive error culture and a pioneering spirit. In particular, managers are called on to use methods for continuous improvement and positive motivation – instead of placing blame. After all, about half of the managers surveyed recognized the problem. They believe that processes, employee qualifications and leadership culture must be adapted to the new dynamic.

From the companies' perspective, especially processes are already adapted to change. 64 percent of executives stated that they would be checked for future viability. But taking a closer look shows that the changes in four out of five companies come primarily from above. However, the demand for employee

competence with regards to improvement processes has remained low until now; in only one third of companies do employees work and react independently.

Implementing Lean Management consistently

"Digitization is also on the agenda in Hungary, but companies need to complete their homework beforehand," says Country Manager Balázs Garliczky staunchly. "They need lean processes, dynamic structures and a modern management system." An important element of change is the introduction of Lean Management at all levels. Less than half of companies have introduced lean processes but have had good experiences with them. "The study shows that consistent implementation conclusively improves change readiness. Each increase in the lean maturity level increases the CRI. Lean management makes companies adaptable and creates a more sustainable organization," says Staufen Consultant Garliczky.

The complete study can be downloaded free of charge at:

<https://www.staufen.ag/index.php?id=1342>