A Postcard From Europe

February 2004

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Over the past few months, I have written about major initiatives underway at both Boots Plc in the UK and at Volkswagen US. In both cases, the companies were looking to use Business Process, or Business Process combined with Enterprise Architecture, as a guide to managing change. In what might become an expensive lesson for those who believe that it is not appropriate for them, this month sees the news that Volkswagen US has dipped into the red for last year and does not see profit reappearing for another year, while Boots Plc—despite reporting some good sales for the last quarter—is now coming under attack from the UK's leading supermarket chain, Tesco.

It would appear that the boards of both companies might have waited too long to make the changes required in order to remain competitive. The long-term future of both operations may now be in great doubt. Boots must surely become a takeover target very soon, and will probably find itself the subject of some kind of break-up. Car workers in the UK know only too well that things can get difficult when foreign management sees that its traditional style of management is not working so well abroad. Although it will not be easy to sell, it is very likely that we will see operations scaled back in the very near future.

A salutary point for others who might not consider that they need to invest in programs of change, realign their businesses, or take stock of their strengths and weaknesses is that, in both of these cases, the company management started the initiatives as a response to impending problems.

Of course, by then— in their cases, and in others—it may already be too late. The actions may simply slow down and prolong an agonizing downward slide. The worst thing of all is that, as a result of such stories, others may conclude that Business Process Management or Enterprise Architecture do not work. Of course, such approaches can and do work, but they cannot be used to perform miracles.

In many ways, corporate change projects such as Business Process management are the exact opposite of what marketers see. In marketing, it is the company that has the vision and strength to continue to pour money into marketing during an economic downturn that truly cashes in when the market takes an upturn. These companies recognize that a) they can very often buy their marketing at significantly reduced cost, and b) they get much greater exposure as there tend to be fewer advertisers to compete with, and so they enjoy far greater public awareness, leading to greater sales when buyers return to the market.

In the case of Change programs, the opposite is true: Companies that are constantly striving to improve themselves, while currently seeming strong already, win out in the long term. Such companies are always moving the barriers and making it harder for others to compete with them. On the other hand, companies that wait until they have serious problems before undergoing such change will more often than not run out of either time or money before the positive effects can truly kick in.

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An example of this in the UK would be Marconi, the former electronics and defense giant. The company had, for years, been seen as a stalwart British company; no one could ever have imagined it going under. But, sure enough, after a couple of wrong moves, the company was in trouble. Pure speculation, of course, but, if the company had made changes faster, recognizing the changes that needed to be made while it was still strong enough to act, it may well have survived. To be accurate, many would say that the company is still alive and continuing to do business, but the shareholders lost most of their money in the refinancing, and most of the staff lost their jobs.

Now, I would be wrong and a fool to suggest that companies in trouble can't successfully undertake change, and survive. But, as in the case of Marconi, the cuts and changes have to be far more dramatic than they might otherwise be, and I think it is true to say that while such companies might "survive," very few attain the heights from which they will have fallen.

Many, reading an article such as this, will undoubtedly think, Yes, well, that is for them; it does not apply to me or to my company. That would be a grave mistake. The last 20 years have shown that all companies, large or small, new or long established, are vulnerable to new competitors and, of course, to the new world economy. Nothing is the same now, and nothing will remain the same in the next 5 or 10 years. All companies need to have a clear idea of what their value chains are and how their business processes operate and are managed. Without such knowledge, it is likely to prove impossible to to respond to external changes and to make internal changes quickly enough to work out how to reduce cost without reducing capability, and, thus, to satisfy regulators that you actually understand how your business operates!