



Driving forward "the world's biggest start-up"

INTRODUCTION

From the 1990s onwards we have seen the development of a "new economy" based on the new realities of an ultrafast, ever changing environment, in which communications technologies have transformed the way in which the world carries out business. Previously, the major players in the world economy were the big industrial battalions - the companies that produced **physical consumer goods** - cars, fridges, ships, trains, etc. While these products continue to be important, it is the "new economy" based on Information and Communications Technologies which has transformed the nature of production in recent times. This case study therefore focuses on the way in which one of the UK's best known companies GEC has **re-branded** itself as Marconi, and transformed itself from being a producer of standard industrial goods (representative of the "old economy") to becoming a producer of new technology products. Marconi, as the company is now called, likes to refer to this metamorphosis as creating "the world's biggest start-up".



Marconi's contribution to Wireless Communication

Guglielmo Marconi (1834-1937) was the pioneer of the wireless. Originally, he took his idea to the Italian authorities, but they were not very supportive. He then brought his idea to this country where the authorities were far more responsive. He was encouraged to continue with his experiments, working first at the Savoy Hotel in London, before

However, from the 1990s onwards it became increasingly clear to business people with close links to developments in the United States that radical changes needed to be made in most UK businesses. These were brought on by the development of the Internet, and other rapid changes in international telecommunications. The time was ripe for the "new economy" to replace the "old economy". Today Marconi is one of the world's fastest growing communications and

businesses which were no longer seen as the way forward, and the **acquisition** of major new businesses where new opportunities lay. For example, the company demerged its defence related businesses to British Aerospace and a range of other businesses involved in producing traditional industrial product lines. At the same time, the company focused on acquisitions in the "new economy" involving Information Technology and Communications and the Internet.

The Marconi Brand

In the event, the solution to the re-branding exercise did not require much thought. The name Marconi is known throughout the world. Most school students and adults know that Marconi pioneered the radio, and the name Marconi has very strong positive associations in the world of communications. The wireless is the foundation of modern communication systems, and

CEO Lord Simpson has pursued focus. He has built a business in the converging areas of telecommunications, software and information technology. His aim is to reap the rewards of explosive demand for broadband infrastructure. This is the electronic plumbing through which ever increasing volumes of data are pumped around the world.

One of the most important early steps for the new business has been to establish a strong presence in the US

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going on to make his first broadcast from Bush House which was to become the early home of the BBC. Marconi played a major part in the setting up of the BBC, and he built his first factory in Cheltenham in the 1890s.

Marconi plc

Marconi had a highly successful history in the consumer electronics market and eventually became part of GEC as a result of a **take-over**. GEC was one of the UK's major success stories of the 20th century. By the 1990s it had become a major household name providing a diverse range of product lines varying from power stations, to heavy engineering and train building. The company was a profitable "star" of UK business up until the 1990s.

IT companies, with a strong record of innovation and technological breakthroughs. It is a world-leader in smart broadband optical networks and it supplies the key technologies and services for the New Public Network and the Internet. With 45,000 employees worldwide and sales in over 100 countries, it is headquartered in London, listed on the London Stock Exchange and included in the FTSE-100 index.

Slimming down and refocusing the Company

From the mid-1990s the revolution in communications technology led GEC to restructure its business. Half of this process was integration and branding. This involved a process of **disposing** of

The broad thrust of the **strategy** was to enter high growth market/industry sectors by creating a more focused (slimmed down) set of businesses producing a range of integrated products concentrating on communications technology.

The purpose of the integration process was to be able to offer customers complete communications solutions. While following this strategy it was also essential to communicate to the world at large that the company had re-invented itself. This could best be achieved through a re-branding process. In seeking a new brand name there was a choice of inventing a completely new one, or using a well known one that was already part of the company.

in the public imagination, Marconi means communications. Marconi thus became the new name of the focused communications business in November 1999. Because the **scope** and strategy of the new venture was so different from the previous organisation, Marconi likes to think of this phase of development as being - "the world's biggest start-up".

Repositioning as a Global Communications and IT Business

The nature of the modern Information and Communications Technology business is that it is highly competitive and to survive and prosper in this field, organisations have to think globally.

market. The Marconi business, until recently, was only widely known in the UK and Europe. Marconi has therefore made a series of acquisitions in the United States coupled with extensive advertising. The United States accounts for about half of the global communications market which is most rapidly expanding in the US. In 1999

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the US based Reltec Corporation was acquired to harness new technology, particularly access to the Internet. FORE systems was also acquired for its leading edge broadband switching capability.

Marconi recognises the importance of establishing rapid growth in the US market. Through acquisition, Marconi has become one of the largest players in the global communications market. **Economies of scale** are important in this market - the better integrated a service that a provider can supply to its customers, the easier it is to win customer support. Hence the importance of growth. While in early 2000 Marconi had a global market capitalisation of \$50bn, the largest competitor Cisco had a market capitalisation of \$450 billion. Right from the start, therefore, Marconi

initiatives have had tremendous success and saw the share price of Marconi soar from a steady £3.50 for much of the early 1990s to above £10 in early 2000. By generating increasing profits Marconi is able to focus on organic growth.

Branding as a form of Product Differentiation

Product differentiation involves clearly setting out the differences between your own products and those of rival products and businesses. Successful product differentiation will give a company an edge over the competition. Using the Marconi name as "the brand" has enabled the company to achieve this edge. Marconi is able to draw together the threads of the past with those of the future. The strength of



focused on buying compatible businesses that were at the leading edge of communications technology. In a fast moving field Marconi recognises the importance of identifying the sorts of businesses that are creating the changes that need to be incorporated under the Marconi umbrella. These

Marconi's past is based on its history, solidity and reputation. Coupled with this, managers have sought to create a new dynamic set of values based on being nimble, fast, adaptable and entrepreneurial.

Marconi has developed a dynamic new logo which represents this change. The

logo combines the movement of the hand written M based on Marconi's original signature with elegant blue letters stressing the combination of past strengths and future vitality.

Meeting the Challenge Internally

Transforming Marconi in the way described in this case study has not just involved an overhaul of the external relationships of the organisation. In addition the change process has involved the development of a **culture** of "start up" and entrepreneurship within the organisation. Internal change has involved everyone who works for Marconi embracing a set of shared beliefs that are essential to becoming a leading edge global business. These five shared beliefs are those of:

- **Real people**
Marconi people are straight talkers, people who say what they mean and mean what they say. It is about creating relationships with customers and colleagues that are based on trust and respect and which value diversity.
- **Passion and pride**
Marconi people show through their actions that they care passionately about success - for all the stakeholders in the organisation.
- **Radical outlook**
To be at the forefront of new markets, new technologies and new thinking, Marconi people are encouraged to think radically.
- **High velocity**
As an innovative company, Marconi people need to learn fast, and find better and faster ways of getting ideas to the market place.

- **Special delivery**
Marconi people take responsibility, to deliver each time, every time. The bottom line is that customers know they can rely on Marconi, because customers' needs and expectations are clearly understood.

Meeting the Challenge Externally

The next step involved communicating the brand to the appropriate **target audience** in order to create ongoing awareness of the Marconi brand. Marconi is a **business-to-business** company, selling in industrial markets to large telecommunication services and corporate clients. Advertising therefore has involved gaining the interest of the key audience. This included purchasing managers, engineers, technologists, Chief Executive Officers and Financial Directors.

Advertising was therefore targeted through publications such as The Wall Street Journal, The Financial Times and The Economist.

In addition Marconi has involved itself in some high profile advertising and promotional activities.

One of the most interesting of these has been Marconi's major support for Benetton Formula 1 through a multi-million pound Communications Partnership. This provides Benetton Formula 1 with a leading edge communications network, providing highly resilient, speed-of-light links between race support staff, on site and remote automotive engineers and race strategists. This partnership makes sense to Marconi because of the interest shown

in motor racing by Marconi's targeted customers (CEOs, technicians, engineers, etc). There is also an obvious link between the speeds of the network and Formula 1.

Another intelligent external link that Marconi developed has been the investment at Cambridge University in a £40 million Marconi Centre. This will give Marconi access to the cream of researchers in the fields of communications and technology, while providing the university with ever needed research funds and high profile sponsorship from a leading edge communications company. In partnership Marconi and Cambridge will be able to push back the frontiers of research.

Conclusion

This case study outlines how, in a fast changing world, business organisations must frequently re-invent themselves. In a world of uncertainty the intelligent organisation needs to be able to recognise when the time is ripe to change. This may involve divesting itself of some of its former key parts and acquiring new parts which better reflect the realities of the new market place. Marconi has risen to the challenge of the modern world of Information and Communications Technology. This required not only a change in scope and structure, but a change in branding. It is also involved in a series of activities related to repositioning the brand, such as investment in research at Cambridge University, and a partnership in motor racing, as well as an internal shift in the culture of the organisation.

GLOSSARY OF KEYWORDS

Acquisitions: The opposite of disposals. Purchasing new businesses, usually by a take-over.

Business-to-business: (B2B) Relationships between one business and another, as opposed to business-to-consumer (B2C) relationships.

Culture: "The way we do things round here." The pattern of doing things in an organisation based on norms and relationships.

Disposals: Where one company sells off some of the businesses in its portfolio.

Economies of Scale: Advantages of producing on a large rather than a smaller scale.

New economy: Economy based on intelligent application of Information and Communications Technology as opposed to "old economy" centred around factory based production of consumer goods associated with the Industrial Age.

Physical consumer goods: Tangible products which are bought by the end consumer - watches, cameras, cars, etc.

Product differentiation: Setting out points of difference between one product and another e.g. through price, quality, features, etc.

Re-branded: A change in name accompanied by a positive exercise to get the new name widely known - through advertisements, mail shots and widely publicised events for staff and customers.

Scope: The activities and products that an organisation focuses on.

Start-up: Creating a new business venture. The process of establishing that business.

Strategy: The major long-term resource decisions of a company.

Take-over: Where one business buys a majority shareholding in another.

Target audience: Groups of customers or consumers that marketing efforts are focused on.

QUESTIONS

- 1 What is a business "start up"? Why did Marconi want to "start up" once again in late 1999?
- 2 Why do you think the name Marconi was chosen for the new organisation?
- 3 Why did Marconi need to make rapid changes?
- 4 Apart from motor racing, what other sports might Marconi have considered developing partnerships in?
- 5 While Marconi's roots are in the "old economy" its future lies in the "new economy"! To what extent do you agree with this statement?

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