

Vodafone's restructuring brings good cheer

April 6 2006



Vodafone has had more than its share of drama in recent weeks as senior executives rushed to air their grievances publicly about the state of affairs at the mobile group. So investors were particularly pleased Thursday following the announcement of sweeping changes at the British carrier, which will lead to considerable changes in the group's international operations in particular but leave Chief Executive Arun Sarin in charge.

On Thursday the company's share price climbed as high as 3.25 percent at one point from the previous session as shareholders welcomed the news, largely from relief that the company can now move beyond the personality clashes and uncertainties about a comprehensive business plan that had bogged it down for some time.

Specifically, the mobile giant will replace its current structure that is based largely on specific countries and instead take a more consolidated, regional approach in addition to creating a unit solely focused on creating new businesses. The three new business units are Europe, including such markets as Germany, Italy, Spain and the United Kingdom; Central Europe, Middle East, Asia-Pacific and affiliates; and New Businesses and Innovation.

Details of how each unit will operate in the future will be unveiled May 30, when Vodafone announces its full fiscal-year earnings results. The company did, however, point out that the restructuring should allow for more cost cuts, particularly in more mature markets in industrialized countries, and make operations in emerging markets more profitable. In addition, Vodafone said that it plans to expand its business operations by extending its reach into converged and Internet Protocol services, rather than simply concentrating on mobile communications.

"This new structure is an important step forward for the group as it is aligned with our evolving strategy and addresses the different priorities across the group. It will enable us to continue to outperform our competitors as the changes deliver a streamlined and simple structure with a clear focus," Sarin said.

The European unit will be headed by Bill Morrow, who has been the head of the company's business in Japan, which it recently sold off to Japanese computer group Softbank as profits in the market did not compensate for the costs needed to stay competitive in the country. Vodafone said that Morrow will focus on "reducing costs" in Europe, in addition to other operations. Meanwhile, the head of the emerging-markets unit will be Paul Donovan, who is currently head of the so-called Other Vodafone Subsidiaries and will concentrate on maximizing "the benefits of regional focus."

As for Chief Technology Officer Thomas Geitner, he will be heading the new businesses unit that will "focus on converged and IP services in order to deliver new revenue streams as Vodafone seeks to provide innovative services to its customers."

"By creating three new business units, and with an increased focus on costs, we are reflecting the different approaches that will be required to succeed, both in terms of our existing operations and in capturing new revenue streams for the future," he added.

The regrouping has certainly boosted confidence among investors who not only have had to grapple with Vodafone's somewhat disappointing financial performance in recent months, but also with concerns about its operations in the United States and Japan on the one hand, and personnel clashes on the other.

For instance, there had been very public friction between Sarin and the company's honorary life president and former Chief Executive Christopher Gent, who handed in his resignation last month.

In a statement, Gent said, "When I was an executive at Vodafone, relationships within the company and at board level were characterized by openness and trust. We were mercifully free of company politics and blame culture," thus suggesting that the situation was now otherwise under the 51-year-old Sarin's regime. At the same time, however, Gent stressed that "if there is a 'whispering campaign' or 'conspiracy' (to oust Sarin), which I very much doubt, then I am not party to it."

Earlier that same week Chairman Lord MacLaurin of Knebworth made clear his own alliance to the existing leadership, as he made a statement saying, "I want to make it clear that I and the board are totally supportive of our chief executive, Arun Sarin, as he takes the company forward in changing and challenging times. Any other suggestion is completely

untrue."

Analysts broadly agree that since the sale of Vodafone's Japan unit coupled with the latest restructuring plan, Sarin's position within the company should be more solid as board members and shareholders alike are likely to give the new plan a chance before any unrest boils up again.

Copyright 2006 by United Press International

Citation: Vodafone's restructuring brings good cheer (2006, April 6) retrieved 2 May 2024 from <https://phys.org/news/2006-04-vodafone-good.html>

| |
|--|
| <p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p> |
|--|