

## CASE STUDY 10.3

### Managing global change at Guinness

#### Programme aims

In 1997 Guinness embarked on a three-year programme of business transformation referred to as the Integrated Business Programme (IBP). This change would impact on 10,000 employees in five areas of the £2.2 billion business – Ireland, the UK, Europe, the US and the Global Support division – and across product lines including the largest, Guinness, and Harp lager, Kilkenny ale and Irish cider.

The IBP was intended to support the company's strategic aim to grow the business following the merger with Grand Metropolitan in 1991. It was also combined with rectifying the millennium bug. The IBP involved redesigning common business processes and the information systems that supported them. To achieve an integrated international supply chain and to replace inefficient activities was the main aim. Reducing stock levels would enable it to reduce costs and make better use of its assets. Global reporting on its activities would also become possible.

Reduced costs are possible from rationalizing the supply chain and reducing the number of suppliers, and moving to guided sourcing, especially over the Internet, where things like electronic catalogues and global negotiation become feasible. Guided sourcing, which 'everyone has to use', according to Roy Jakes, Guinness finance director, saves money by cutting out expensive, off-contract maverick purchasing, and is one example of the kind of tighter rigour that now applies across the company. Such is the way the new system works that no supplier can deliver if they can't quote an order number. This number has to be entered into the system in an authorized fashion.

According to Roy Jakes, who was sponsor of IBP, both cultural and organizational changes were needed since the businesses operating globally were very different in character. Each Guinness site had been working as a separate business unit.

Julia Vowler, the author of the case study, notes that there is great difficulty in successfully implementing global change. She puts the failure rate as being as high as 75 per cent. This failure rate is not usually due to the processes, but rather problems with the implementation of the underlying system.

Lack of communication with the staff about what is occurring is also a common error. The impact of the change programme on the business as a whole is also underestimated.

#### Programme structure and organizational changes

A project team was drawn out of all parts of the global business, with some of the best people in each area selected. This enabled important decisions about the programme to be taken quickly. According to Jakes, 'Communication was key during this period and, indeed, it still is. It was essential to get buy-in from everyone across the organization for a project like this right from the start. Leadership from the top was excellent and really helped in building awareness of what was going on at a time of great cultural change and nervousness.'

The toughest challenge was breaking down local cultures, according to Jakes: 'wading through politics and inter-regional suspicion required positive leadership from the managing director. It wasn't painless.' On the approach used he says: 'We had to sufficiently educate and communicate what was coming. People don't believe change is happening until it arrives. Internal public relations has been very important throughout the project, and we used lots of different ways to communicate what we were doing. We generally tried to make it fun – you've got to use all the levers you can to make a project like this work.'

The organizational architecture Guinness has selected is a shared-services model, whereby core functions, most notably finance, are carried out by a dedicated department that services all the separate business divisions. The processes within the shared-services centres, based in London and Dublin, include consolidation of financial accounting and reporting, online access to up-to-date information, as well as the centralized operation of accounts payable and accounts receivable. The IS department has also become more centralized with a single department operating out of London and Dublin.

#### IS implementation

Like the processes, the IS within Guinness were also different in the existing business units. Each of

## ► CASE STUDY *continued*

the five divisions had its own IT department. However, before the programme there had been some standardization of applications with Microsoft Office applications and e-mail. Other applications were quite mixed. In Ireland, for example, there were legacy applications, including an in-house sales order-processing system and packages for finance and human resources, and Europe had locally purchased packages. Guinness in the UK had implemented SAP R/3 over the two years prior to the IBP, and this was now selected as the core enterprise resource planning (ERP) platform for the globalized company. Jakes says: 'It was excellent to have had the UK as a prototype for R/3 because you do get hurt putting in ERP. So we'd already got the scars and learned the lessons.' Of course the downside of having used SAP in the UK was that other divisions might regard the extension of R/3 out of the UK with suspicion. This problem was reduced since the UK system was not rolled out without changes; it was upgraded in line with the agreed business process transformation. The implementer for SAP R/3 was Druid. The supplier centred on five processes: finance, sales and operations planning, procurement, customer order fulfilment and product supply. In terms of different types of IS applications, the solution included workflow, data warehousing and advanced supply chain planning solutions and integration of some legacy systems as well. Jakes says: 'around 80 per cent of the corporate back office goes on R/3 – all the finances, all order processing, all the production ordering, stores and logistics. We use Manugistics for production planning, which we were already using. It takes the data out of R/3, produces the work plan and feeds it back to R/3.' It has not been possible to use SAP as a single supplier. Jakes says 'our MIS is still being built: SAP R/3 is feeding our SQL Server data warehouse, which has both Brio and Essbase front-ends to give us a consistent picture of production, finance and sales reporting.'

A benefit of this integrated approach for customers is integration of order-processing activities across Guinness's businesses. The new process enables greater control over its assets such as kegs of beer – to ensure better traceability of products and ultimately improve customer satisfaction and quality management.

Some 2500 people (out of 10,000) now use the

system, but there are some difficulties with use of the system. Jakes says: 'not everyone has found the system user-friendly. For occasional users it's not the most friendly. For them, using workflow or, increasingly, new Internet front-ends, is more palatable.'

The IBP doctrine has not been applied regardless. Some regional differences or localization also make sense. At this stage the Far East and African operations have remained separate. Since, in Ireland, most pubs are still owner-managed rather than owned by big chains, a different sales order-processing system is used from the UK one, where the brewer just takes in orders from the major wholesalers and then distributes the beer to their pubs.

### Project history

#### 1997

- Guinness merges with Grand Metropolitan to form Diageo

#### 1998

- February: IBP launched

#### 1999

- January: First go-live of base line SAP R/3 across Guinness in the UK
- May: Roll-out of IBP within the UK
- July: IBP extended to sites in Ireland
- November: Customer Order Fulfilment (Cof) went live in both the UK and Ireland. IBP rolled out in Northern Ireland

#### 2000

- Further roll-out of Cof in the US and Guinness Ireland Group.

Source: Feature by Julia Vowler, *Computer Weekly*, 27 July 2000, 20–21

### Questions

1. Outline the main cultural and organizational problems associated with change that are described in the case.
2. What actions were taken to overcome resistance to organizational change at Guinness?