



CASE STUDY

FAST FISH EAT SLOW FISH

**BUILDING TRANSFORMATIONAL CAPABILITY
AT AUTOGRILL**

**MAARTEN GEEBELS
JOACHIM VAN DEN BERGH
PROF DR STIJN VIAENE
EDDY HELSEN**



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Foreword

Business Transformation has been described as the orchestrated redesign of the genetic architecture of a corporation¹. It is a way of systematically altering the basic elements that make up an organisation's DNA: its structure, processes, strategy, etc. It is also a term that has become a hype in management practice in the past couple of years. Currently, Business Transformation is the main topic for applied research within Vlerick's Centre for Excellence in Business Process Management (BPM Network).

When looking for the cause of this strong attention to Business Transformation, we need to zoom in on the instigators of transformation. The drivers for companies to transform exist in many forms: global economic shifts, changes in governmental regulations, mergers, competitive threats, performance crises and many more. The factor that ties all these drivers together is the ever increasing turbulence they create for companies. Therefore, we believe that building Business Transformation capabilities has become a condition for business continuity and long-term success.

In 2006, a combination of transformation drivers reached a peak at Autogrill Belgium, part of the world's largest provider of catering services to travellers. In the aftermath of a merger and financial distress, the company embarked on a Business Transformation journey that expanded from Belgium to the Netherlands and France and is still evolving to this day. The process was closely guided by our Prime Foundation Partner, ViCre, expert in Business Transformation.

We want to share this Business Transformation story because we believe it provides a valuable example and insights into how Business Transformation can be successfully managed in practice. The story triggers critical thinking about major pitfalls and success factors and how the discipline of Business Process Management can play an important role in a holistic approach to building Business Transformation capabilities.

The case is written as a teaching assignment to be used as didactic material in Vlerick Executive Courses².

Enjoy the read!

¹ Gouillart, F. J., & Kelly, J. N. (1995). *Transforming the organisation*. New York: McGraw-Hill.

² The case will be made available together with a class teaching note, via the Case Centre (www.thecasecentre.org).



Fast Fish Eat Slow Fish

Building Transformational Capability at Autogrill

Suddenly Stan Monheim heard a loud noise of shattering glass, breaking his concentration. It was a clear and sunny afternoon in Marseille and he had been staring intently out the window of his corner office. At the other side of the room, Mario Orinx had been excitedly spinning his pen for the last couple of minutes and had managed to flick his glass of water off the edge of the table. Both men had jointly been leading Autogrill's North West Europe³ region, Mario Orinx as Chief Operating Officer and Stan Monheim as Chief Sales and Operations Officer. They had guided the region through a transformation since 2008, starting in Belgium and expanding to the Netherlands and France and were now thinking of expanding the transformation throughout the rest of Autogrill and brainstorming about how to pitch that idea to Autogrill's headquarters in Milan.

"Do you remember the situation we were in before we started the transformation in Belgium in 2008?" Stan asked Mario. While carefully picking up the shards of glass, Mario replied: "We definitely have come a long way. I mean, financially we were in a really tight spot, but even besides that, the way the company was run and how we managed our employees was miles apart from our current situation". "I agree", said Stan, "the way we're currently running the company would be a tremendous improvement for almost every organisation. And to be honest: in hindsight, I truly believe that if we hadn't changed, we would have been bankrupt by now". "Indeed. Either that or we would have been acquired by a competing company", Mario added.

Both men were convinced that the new way of working they had introduced at Autogrill North West Europe could be of tremendous value to the global Autogrill organisation. In a couple of days they would have a meeting with corporate headquarters, but they were still struggling with how they would pitch their approach to the corporate level.

³ Autogrill's North West Europe region was created in 2013 and includes Belgium, the Netherlands and France.

Serving a world on the move

Autogrill⁴, with corporate headquarters in Milan, Italy, is the world's leading provider of catering services for travellers. Operating mainly along motorways and in airports through concessions, the company offers a wide selection of products and concepts to its customers, including proprietary brands like Ciao, Bistro and Beaudevin as well as third-party brands like Starbucks and Burger King. Its 55,000 employees offer food & beverage services to 900 million customers per year while reaching a revenue of €3.9 billion in 2013.

The company's history dates back to 1977, when Italian state-owned conglomerate IRI purchased and merged three Italian restaurant groups. Autogrill was privatised in 1995 and listed on the Milan stock exchange two years later. For the organisation, this marked the start of an enormous expansion, including takeovers in North and South America, Africa, the Middle East and Asia, but also closer to home, with acquisitions in France, Belgium, the Netherlands and the rest of Europe.

Autogrill first entered the Belgian market in 1998 (see Figure 1 for a timeline of Autogrill's history in Belgium). Throughout Belgium's history of motorway catering business, there had been two companies dominating the market. On the one hand there was AC Restaurants & Hotels, a company that started out in 1963 as part of the Dutch supermarket chain Albert Heijn and that was a continuation of The American Lunchroom, founded in 1898. On the other hand there was Carestel, founded in 1977 by the Van Milders family with restaurants along motorways and in airports. Carestel quickly became the biggest motorway catering group in Belgium.

In 1998 Autogrill acquired AC Restaurants & Hotels, establishing a firm market share in Belgium's motorway catering services market. Almost a decade later, in 2006, Autogrill also took over Carestel, thereby becoming the largest provider of catering services to travellers along motorways in Belgium as well as setting foot in the Brussels Airport catering business. At the same time, this meant a merger of two companies that up till that point had been the two largest competitors on the Belgian travel catering market.

Acquiring Carestel not only meant merging two fierce competitors, but also taking over a company that had been dangling on the edge of bankruptcy for the last two years. After becoming the biggest motorway catering group in Belgium, the Van Milders family decided to expand internationally and go public. However, it quickly became clear that the company wasn't financially prepared for its expansions in France, the United Kingdom and Scandinavia. In 2004, Carestel almost went into bankruptcy. To save the company, it was decided that most of its business units would be sold. When Autogrill acquired Carestel in 2006, the

⁴ www.autogrill.com

company had refocused on its core business of food & beverage at motorways and airports and managed to save itself financially.

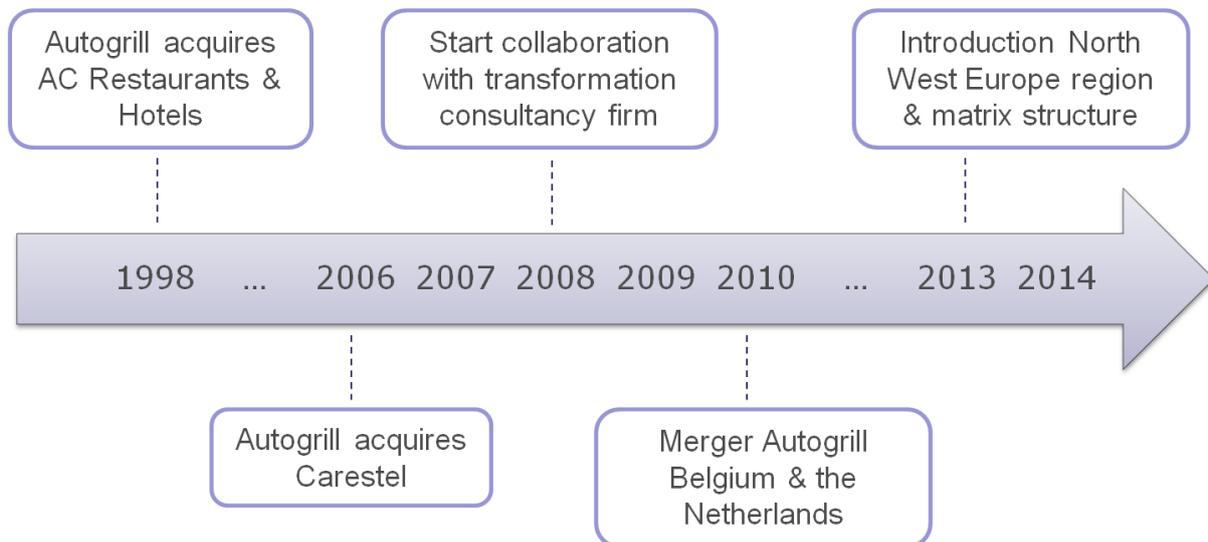


Figure 1. Timeline of Autogrill's history in Belgium

2008: time to wake up

"Who do these guys think they are?"

This was one of the many critical remarks that were sparked by the very first workshop organised by ViCre at Autogrill Belgium in 2008. ViCre was a transformation consultancy company that had, as a way of prospection, invited Autogrill's management team to an initial two-day workshop. Things had not been going well since the merger in 2006, especially with regard to the former management teams of Carestel and AC Restaurants. They had a difficult time communicating, let alone collaborating, after following their own strategy for decades. As a means of dealing with this issue, Autogrill Belgium's CEO had accepted the workshop invitation and gathered his team of directors.

As soon as the small group of directors from marketing, financial, operational and other departments had walked in, ViCre's consultants had started firing questions at them. First of all: did they have a vision for the company and how many employees were aware of this vision?

"What a stupid question to ask, I thought at first", says Stan Monheim. "Of course we had a vision, like every other company. We even had placards on the walls of every restaurant and shop we owned so obviously all of our employees were aware of it."

But the questions kept on coming and were becoming more complex while soon enough opinions were getting more diverse and answers more scarce or even absent. What was the added value of their products for their customers? How often did they communicate with their customers? How did they deal with a changing market? Opinions differed, especially between former AC employees and Carestel employees. The workshop soon enough ended up in silence: a quiet room, but people's brains working full speed to understand what had just happened. There was a growing awareness that something needed to change: if even the directors didn't agree on how the vision should impact their work, would the rest of the organisation know?

The initial workshop had acted as a wake-up call for Autogrill's management team in Belgium. Over the past two years they had continued their work like they had always been doing, operating in a near-monopoly situation and once in a while opening new shops or introducing new concepts that they thought would appeal to customers.

But outside the company things had been changing. First of all the need for restaurants near motorways was shifting: cars' driving ranges had greatly increased over the years and almost everyone nowadays had a vehicle with air conditioning and enough amenities to store and cool food and drinks. Fuel stations and shops were becoming a competitor by also selling food & beverage, thereby offering a broader and cheaper range of products to motorway travellers than Autogrill restaurants. Customer preferences were changing as well: people were getting more and more interested in specific concepts or brands that Autogrill could only sell under license and thus had to share profits with. These changing customer preferences were also reflected in catering concepts' lifecycles: whereas catering concepts in the old days used to last 20 years, now the lifecycle was limited to approximately 5 years. On top of all this, economic circumstances like increasing prices of raw materials and energy were pushing Autogrill Belgium into an increasingly difficult financial situation with declining margins and decreasing returns on investments.

In the initial consultancy workshop it had become clear that Autogrill had troubles getting everyone on board to sail through this turbulent environment. To wrap up the first day of the workshop, Autogrill's directors were challenged to come up with a dream image of their preferred future for the company: what would the ideal Autogrill look like for them and to what extent did that view differ from the company as they knew it today.

After a few weeks the directors convened again to show their commitment to - and agree upon - a number of improvement objectives. This initial step would gradually grow to become an enterprise wide transformation initiative that is still evolving to this day.

Spilling the oil

"Getting everyone involved in the way we saw Autogrill's future wasn't an easy task", Mario Orinx testifies. "Our whole culture was similar to that of a restaurant's kitchen. Every kitchen has a chef who is called the chef for a reason. People weren't used to asking questions to their supervisor, it was just doing what you were told. To give you an example, when we needed a new marketing plan, the marketing department devised a plan solely based on their own ideas and expertise. When it was finished they just forwarded it to the operational managers who were left to their own devices to carry out their new marketing tasks."

Autogrill's employees weren't used to being involved in thinking about strategic or high level issues, they mainly focused on carrying out the work that was given to them. Yet Mario Orinx and Stan Monheim were convinced that involving them in discussions about the company's vision was indispensable in getting everyone on board and motivated to contribute to turning the company around.

Therefore they organised several workshops where employees⁵ from different locations, departments and levels of the organisation would meet to discuss the vision and make it relevant on an individual level. These included workshops to create a clear vision for certain aspects of the business, like how certain processes should be designed, but also workshops focused on explaining the company's global strategy and working out how employees could personally contribute to it (see Figure 2 for an example of a workshop invitation).

Next to these workshops, Autogrill organised individual coaching sessions and more informal breakfast meetings where Stan Monheim would meet with a different set of managers several times a month with no items on the agenda but just time for the managers to ask any question they wanted, to make sure they understood the way forward and were aligned with Autogrill's vision, while also giving them the chance to express their concerns.

Finally, Autogrill's directors were stimulated to visit restaurants and shops themselves and talk to the employees there to get the point across that every employee could talk to every other staff member in the company, regardless of his function or department.

All of these initiatives resulted in smoother decision making across the organisation: directors and managers now had a better understanding of the company's strategy and every decision they made would have to be aligned with it. Moreover, decisions were received more positively by others because they could now better understand them in the light of Autogrill's vision.

⁵ References in this case to *employees, every employee* or *all employees* that were personally involved in the transformation only refer to top and middle management (10%-20% of the total workforce).



VISION CREATION DAYS

THURSDAY 03.07.2014 – FRIDAY 04.07.2014

Mario and Stan have the pleasure to invite you to the parallel team that will join the leadership team during their Vision Creation Days next week. During these two intense days, you will be asked to contribute to a project on the launch, training and follow up of new processes. Your input and presence are highly appreciated.

When? Thursday 03.07.2014 at 10h00 until Friday 04.07.2014 at 17h00

Where? Hotel Barrière de Lille
777 Bis Pont de Flandres – 59777 Lille – France

Thank you for confirming your presence to jasmien.de-gusseem@autogrill.net by tomorrow, Friday June 27th.

Please note that the session will be organized in English.

We look forward to welcoming you!

Figure 2. Example of an invitation to a Vision Creation workshop

Internal customers and suppliers

"Involving employees in higher level information sharing and decision making wasn't the only thing that we needed to achieve", says Stan Monheim. "People just weren't used to talking, let alone collaborating, with colleagues from other departments. More often than not, employees had to rework an assignment for a colleague because the end result turned out to be completely different from what that colleague had expected them to deliver."

To overcome this issue and make people more aware of who they were working for, the perspective of internal customers and internal suppliers was introduced. All the tasks that an employee had to perform would be framed in this perspective. Every employee was regarded as an internal supplier of products or services to a colleague, who was regarded as the internal customer.

First, the employees would have to make a mental image of their situation according to the internal customer-supplier perspective. To facilitate this process, a framework was devised that consisted of 9 elements of a customer-supplier relationship that would help employees form this mental image (see Figure 3 for a depiction of the 9 elements framework). These 9 elements served as a guiding tool for employees to get a clear view on 9 aspects that were

important for achieving a sound customer-supplier relationship. Some of the questions that employees needed to ask themselves to get a view on their 9 elements included: Who were their customers and what did they expect from them? What could they deliver? How were they going to communicate with their customers? How much time were they going to spend on the assignment? To help identify their internal customers, employees were introduced to the company's value chains in order to see where their own role was situated and who would use their output in the next step of the value chain.

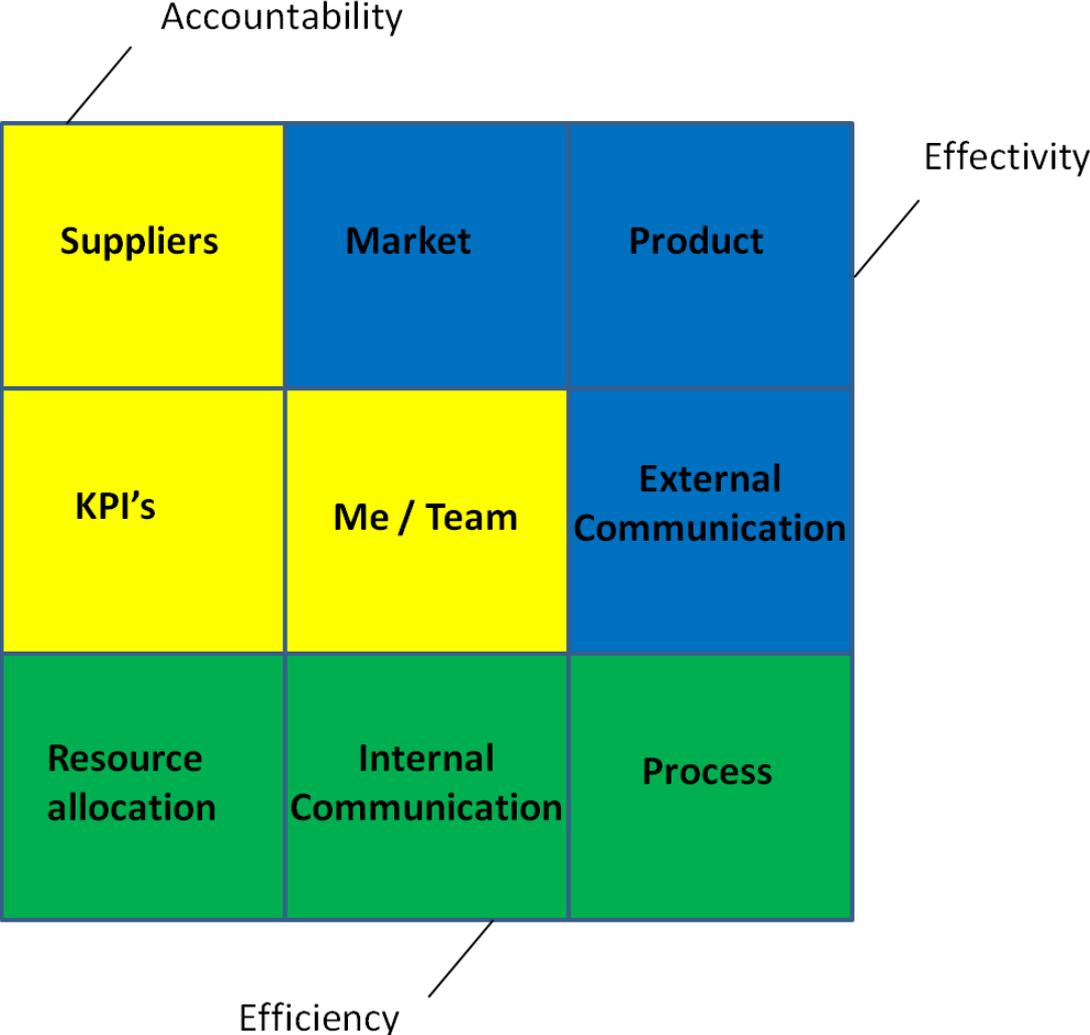


Figure 3. The 9 elements framework

Once employees had an idea of their '9 elements', they would draft and sign a contract called the '6 points', with every single one of their internal customers, that would specify, in 6 points, what and how they would deliver to their internal customers (see Figure 4 for a depiction of the 6 points framework). This 6 point contract would then act as a personal business plan for every employee and

would aid them in, what they call, delivering the promise: to be able to deliver the service or product to their internal customer that they agreed upon in their 6 point contract.

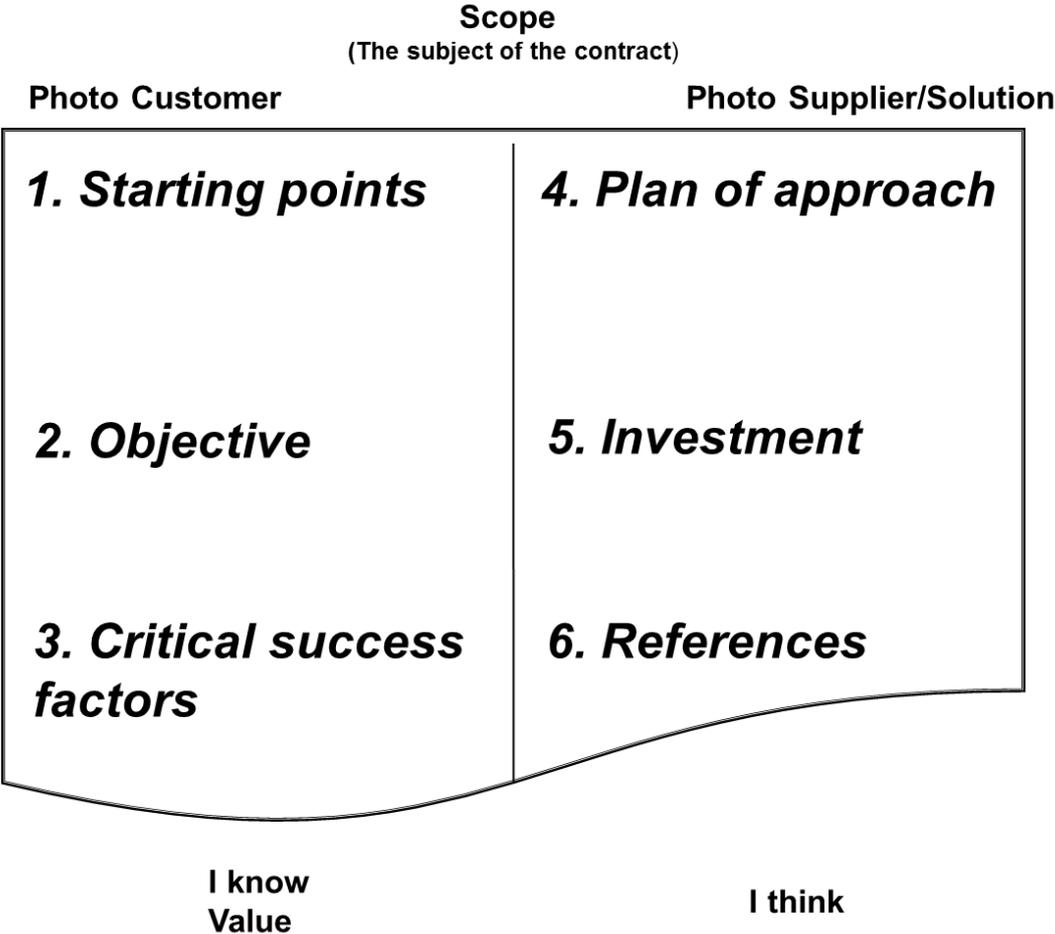


Figure 4. The 6 points framework

To go back to the example of the marketing department that needed to design a marketing plan: as opposed to the past where marketing would mainly use their own expertise and ideas to generate this plan, they would now first sit down with all of their internal customers like the CSOO and colleagues from operations to devise a marketing plan based on the combined input of all these parties, supplemented by input from external stakeholders like site landlords and customer feedback received through social media channels.

This increased focus on customers also had its impact on Autogrill’s relationships with external customers. For example, the concession contract with Brussels Airport was renewed, partly due to the way Autogrill was now responding and adapting to the landlord’s needs and wishes.

To follow up on this new way of communicating within the organisation, every employee would discuss his/her business plans with his/her supervisor once a month, which was also an opportunity to ensure that all objectives and tasks were aligned with the company's strategy and that every employee personally contributed to it. The '9 and 6', as it was soon being called, was slowly becoming the internal language throughout most of the organisation and was being used, supported and spread by the top layers of the organisation. For example, Mario Orinx and Stan Monheim still use the '9 and 6' every time they have a meeting or when projects need to be launched or monitored.

Another consequence of the '9 and 6' was that people now understood that they worked for a diversity of internal customers throughout the entire organisation. For example, they came up with a message board on which employees could post messages, asking for help with any kind of task and people from departments across the entire organisation would respond to it and help out. This provided employees with a better view on the work of others and the entire organisation, which led to even more internal networking.

Managing 100 years of experience

"We were all getting in the same boat, heading in one direction, which was a very important achievement. But we were still launching new products without in-depth market research and opening new establishments from scratch, acting on our gut feeling rather than involving knowledge from previous efforts. It was striking that a company that owned restaurants that were over 100 years old didn't feel and act like a company that had over 100 years of experience."

This quote by Frank Vandillewijn, Autogrill's Continuous Improvement Manager, illustrates the trial and error practice that was present within the company. This was still a leftover artefact from times when the company was operating in an almost monopolistic situation. For launching new product-market combinations or opening new stores, there were some documented standard processes but they were hardly ever used, resulting in concepts and products that might be good in their own right, but were targeted at the wrong customers or at suboptimal locations. As a result, there had been little knowledge management throughout the years about the company's market and way of operating in Belgium.

In order to retain and share knowledge in the company, Autogrill started working on small process related projects to slowly increase process orientation among employees. They created a couple of micro communities that consisted of a mix of profiles that would work on designing or improving certain processes. For example, they used to conduct a yearly engagement survey among all employees but didn't have a detailed plan on how to act on the survey results. So Autogrill sent a mixed team of people from HR and operations to an off-site location to design a process for following up and acting on the survey results.

This process would from then on be used to make sure that, based on the survey results, necessary actions would be planned and carried out throughout the whole year to increase employees' engagement.

With these types of projects, Autogrill strived to create small success stories to get people accustomed to working on knowledge management and increase process orientation.

Fast fish eat slow fish

"Years ago they used to say that big fish eat small fish. But now I would rather state that fast fish eat slow fish", says Mario Orinx. "And we were steadily becoming one of those fast fish, evolving from a rusty and stable organisation to an adaptable company that wasn't afraid of changes yet to come."

Soon enough, these future changes would hit Autogrill. After already having joined Autogrill Belgium and the Netherlands in 2009, Mario Orinx and Stan Monheim were tasked by corporate headquarters with creating the Autogrill North West Europe region in 2013 by merging Autogrill France, Belgium and the Netherlands. At the same time a matrix structure was introduced in Autogrill Europe, with departments like ICT, business development and finance being centralised and reporting directly to department directors on the corporate level. Autogrill's headquarters regarded North West Europe as a sort of experimentation centre and had introduced the North West Europe region to see if it would encourage knowledge sharing across countries and could overcome low bottom lines and returns on investments by mutualising costs and investments between countries.

Whereas the merger in 2006 had led to rough times for Autogrill Belgium, now the company had little trouble adapting to the imposed regional and matrix structure. Why? Because year after year, Mario Orinx and Stan Monheim had been working on developing the transformational capability of their company. Besides all the aforementioned initiatives they had launched since 2008, like spreading the company's vision, using the '9 and 6' and working on processes, they had installed a yearly transformational routine.

Every year, they would set new objectives that they wanted to reach with regard to the transformation. With the aid of ViCre, these objectives were worked out in concrete actions and included in an overarching master plan, which contained 5 tracks to categorise all the change initiatives. For every track, a detailed monthly planning was worked out to ensure continuity and balance in the transformation approach. There wasn't a day that went by without either Mario Orinx or Stan Monheim working on or speaking about the transformation in one way or another.

With the creation of the North West Europe region, the new way of working that was installed in Autogrill Belgium was also being spread in the Netherlands and France along with a strongly intensified consultancy guidance to deal with the increased number of personnel now involved in the transformation. Although impossible to conclude that it was a direct result of the transformation, some of Autogrill's financial results improved over the years. In the Netherlands Autogrill was able to regain positive store cash flows and Belgium reinforced its financial position partly due to a licencing contract signed with a new partner, Starbucks.

Today, the new way of working and common language that was developed over the course of many years is being spread among employees in Belgium, the Netherlands and France. Next stop: corporate.

Pitching to headquarters

12h25 in Milan, Italy. In five minutes, Mario Orinx and Stan Monheim would walk into Autogrill's head office for a lunch meeting with some of the company's board members. No sweaty palms or signs of nervousness: both COOs were well prepared to tell the story of Autogrill's transformation in North West Europe of the last 8 years. A couple of former North West European managers that had been promoted to a job at the company's headquarters would also join the meeting to show their support for the proposal. They were all convinced that the new way of working they would propose could add value to the entire organisation. But how would the board members react?

Acknowledgements

We would like to thank all the people that have provided valuable input for this case study. We are deeply grateful to everyone at Autogrill for spending the time and energy to sit down with us and talk about the company's transformation of the past decade. In particular we thank Mario Orinx, Stan Monheim, Fred Hegt, Frank van Dillewijn, Patrice Fievet, Steven Govaerts and Jasmien Degussem.



Mario Orinx

Chief Operating Officer Autogrill North West Europe
mario.orinx@autogrill.net

Stan Monheim

Chief Sales & Operations Officer Autogrill North West Europe
stan.monheim@autogrill.net

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About the partnership

With the BPM Network, Vlerick was one of the first to set up a Centre for Excellence in Business Process Management. Over the years it has acquired enormous expertise in both business process management (BPM) and business process innovation. In 2014, the Centre teamed up with ViCre, the latter hereby becoming BPM Network's Prime Foundation Partner. In light of this new partnership, the BPM Network set the agenda for a new era of BPM, focusing on using BPM to support innovation and business transformation, by leveraging new technologies to fundamentally rethink BPM and by adopting a holistic, outside-in approach to business transformation.



The **BPM Network** has the ultimate ambition to gather and support organisations, to make BPM into a success. It aims to bring knowledge to the business world by developing applicable research results in close collaboration with its members. Therefore its approach is pragmatic and designed to stimulate interaction between members and researchers. The centre is created to offer high-level and up-to-date information on BPM (methodologies, benchmark results, best practices, lessons learned, techniques,...), and to develop, detect, validate and diffuse new management concepts and theories in the field of Business Process Management and Business Transformation in a Belgian and European context.

Joachim Van den Bergh | joachim.vandenbergh@vlerick.com

Maarten Geebels | maarten.geebels@vlerick.com

Stijn Viaene | stijn.viaene@vlerick.com

ViCre is short for vision creation. Founded in 2004, the company offers business consulting with impact to clients in Europe and the US. It specialises in enterprise innovation, including strategy, knowledge and leadership development. Using its own proven methods, tools and techniques, ViCre helps to enhance the effectiveness, efficiency and accountability of an organisation, to ensure the right things are done right. ViCre is committed to adding value by increasing customer, shareholder and employee satisfaction through customer engagement, resource optimisation and employee empowerment.

Eddy Helsen | Managing Director | eddy.helsen@vicre.eu

Annelies Helsen | Business Transformation Consultant | annelies.helsen@vicre.eu



BRUSSELS - GHENT - LEUVEN - ST. PETERSBURG
VLERICK BUSINESS SCHOOL - THE BUSINESS SCHOOL OF GHENT UNIVERSITY AND KU LEUVEN
STICHTING VAN OPENBAAR NUT - PUBLIC UTILITY FOUNDATION - VAT BE 0424 244 049
HQ: REEP 1 - 9000 GHENT - BELGIUM - T + 32 9 210 97 11
INFO@VLERICK.COM - WWW.VLERICK.COM

