

Application 17.3 (updated):

STRATEGIC AND ORGANIZATIONAL CHANGE AT CORREOS Y TELÉGRAFOS

Eva María Mora Valentín
Universidad Rey Juan Carlos

Since its foundation, the company Correos y Telégrafos has evolved to adapt to market needs. These changes have been particularly significant in recent years.

Correos y Telégrafos, S.A. has 100% public capital and is exclusively owned by the Spanish government through the Ministry of Development. As a provider of mail, telegraph and financial services, in 2002 it served 19 million households and two million firms nationwide on a daily basis. For over a century and a half, Correos y Telégrafos has had the legal mandate to tender mail services throughout the country, on a regular basis, with fair prices and adequate levels of quality. Yet it also performs other activities that are not considered a public service, thus operating in an increasingly deregulated and competitive market.

In 1997, the European Union initiated a gradual liberalization of the postal sector that involved a progressive reduction of the role of national monopolies. Against this background, Correos y Telégrafos has been making a number of strategic and organizational changes. Firstly, it launched the 1998-2000 Strategic Plan for performing a SWOT analysis of the new situation and seeking to address some of its main traditional management issues. Thus, for example, it has sought to eliminate the chronic deficit it had been burdened with for a long time, improve human resource management, invest more in technology and launch an ambitious quality plan.

Due to the poor performance recorded with the previous strategic plan and considering the increasing level of competition in the industry, Correos y Telégrafos defined new changes in the 2001-2003 Strategic Plan. The three objectives to be achieved were:

- a) Define a concrete and feasible business strategy that adapts to the new environment. Six basic lines of action are identified: strengthening the public postal service, modernizing the company by increasing investments and improving its image, diversifying the portfolio of non-postal activities, imbuing the company with a proactive customer focus, addressing the internationalization of its business, and managing change through people.
- b) Develop a new corporate and organizational model to facilitate the implementation of the strategy and market adaptation (see application 18.2).
- c) Use new technologies.

The 2001-2003 Strategic Plan ended in 2003 and marked the consolidation of a new organizational structure, which divided the company into three divisions. This model catered for the implementation of a diversification strategy and creditworthy operations in national and international markets, maintaining its vocation to serve all its clients' specific needs efficiently and dynamically.

All these challenges enabled Correos y Telégrafos to become the leading company in the Spanish market by the end of 2003. In a European context in which many operators were experiencing significant declines in mail volumes, the mail traffic handled by the Spanish state operator grew by 2.6% in 2003, to 5.461 million deliveries. A new strategic plan (2004-2006) was launched that same year, with the main goal of strengthening the results achieved over the three previous years.

The 2004-2006 Strategic Plan was based on a set of guidelines that sought to consolidate the objectives proposed in the 2001-2003 Plan. Additionally, it was designed to address new challenges and, ultimately, ensure the company's sustainability and leadership in the future. Achieving these goals involved two measures:

- a) The increasing diversification of the scope of the firm, reinforcing the express parcel business and the services provided through its branch offices and over the Internet.
- b) The automated processing of deliveries.

An analysis of the Company's situation at the end of this plan reveals that greater competition, new customer demands, opportunities for technological innovation and the liberalization of the mail market have become essential for expanding the range of services and its positioning in other markets. The Correos Group has therefore implemented a strategy for the diversification of activities parallel to the establishment of an internal divisionalisation, with the creation of three subsidiaries through which it operates in markets related to the mail sector. According to these initiatives, the Company has gained the necessary expertise not only for providing more and better services, but for doing so with the flexibility and agility necessary to adapt its offer to the industry's needs.

Source: Adapted from Mora (2008)