Vivendi, back to reality
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The spectacular expansion of Vivendi between 1999 and 2001 was due to certain business behaviour and beliefs that, in a short space of time, are changing from being admired and followed without question to being reviled and rejected by the business and financial worlds, that at their height benefited from them. In fact, we are faced with a breakdown of the model in which some of the paradigms adopted just two years ago have proved to be false and are driving many important groups to unsustainable business situations.

Traditionally, the utilities business, such as water and the associated services, which originally gave rise to Vivendi, has had moderate growth and stable stock market prices. Its strength lay in the huge network of distribution capable of generating enormous sums of cash flow and, in many cases, in the security provided by a structure born at the heart of monopolies. Protected by this type of business and faced by the illusion of rapid success created in and around the Internet and the New Economy some visionary entrepreneurs steeped in charm, such as Jean Marie Messier, emerge whose only consideration is size and growth through the entrance of new businesses and technologies. In the case of Vivendi, the idea was translated into the creation of a mega corporation that, beyond the scope of its traditional businesses, tried to cover the whole value chain of the New Economy businesses: from the creation and production of content to its distribution to end users via the different technological platforms, including the network infrastructures needed to do so.

On paper, the success of this vertical integration stems from the economies of scale and the attainment of synergies between the different businesses. Another of the hypotheses is that a good part of the financial resources required to carry out this expansion (via purchase) comes from getting capital from the variable income markets, supposing of course that the stock markets allow for an indefinite growth of the share price of the business.

However, nothing could be further from reality. To start with, the growth cycle through the capital markets waned when the share prices started to fall; investment was reduced and the demand for profitability was increased. This put the survival of Vivendi and other similar groups, strangled by heavy debt, seriously at risk. On the other hand, the much voiced creation of synergies between the different business units rarely took place and, in many cases, the companies do not work as true groups but as "conglomerates" of enterprises with very different management styles and problems and, in some cases, with opposing shareholder interests.

The crisis of definition the telecommunications and content businesses are going through must be added to this internal dynamic, which in turn transmits the insecurity and pessimism to the rest of the businesses within a business structure. Of course, we must not underestimate the pressure put on management teams to get short-term results...
with the consequent reflection on the financial markets, which may lead to the temptation of forcing financial practices to the limit (and in some cases even cross the line of what is admissible), with the resulting damage to business and the confidence of the shareholders. In the face of these circumstances, it seems reasonable to think that the future of Vivendi will depend on the application of certain reorganisation and rationalisation measures. One can envisage the reduction of the levels of debt through the sale of assets and the search for a more stable and homogeneous group of shareholders; a more rigorous management focused on profitability with a more realistic approach to lead the group to focus on the businesses with greatest possibility of bringing in income and achieving true synergies. However, none of this will be enough unless the codes and norms of good management are renewed and applied as well as a business ethics behaviour that enables the company to restore the confidence of the markets and the shareholders.