CEO View: John Mullen of DHL

The credit crunch is a cause for concern, says DHL CEO John Mullen, due to the current uncertainty in the US economy and the possibility it could go into recession. "We see it in our trading results," he says. "We're up one month, we feel positive and then we have a bad month and everyone's full of doom and gloom, and then the next month's good again."

"It's hard to discern clear trends but our view is that it's got to be 50-50 that the US has a recession next year, and 50-50 is not a good percentage to be modeling around," Mullen adds.

The CEO of DHL told Knowledge after speaking to MBA participants at INSEAD's Asia campus that he remains optimistic about the company's presence in the US market, in spite of the fact that the company lags behind the two main players in the US domestic market and has incurred heavy losses which must be absorbed by other parts of the business.

"FedEx and UPS have gone global and we have to go the other way and compete on their home turf, otherwise we're saying to our customers we can service you everywhere other than the most important market in the world, and that's not much of a selling proposition."

The US market, Mullen says, is the most mature in the express courier industry, and customers expect an integrated range of products, when sending packages domestically or internationally. DHL intends to stay in the market, he says, and will continue to provide US customers with a third option. He notes that brand awareness has risen to 58 per cent from 10-12 per cent just a few years ago.

By aiming to move from a US$100 million loss in 2005 to profits of US$1 billion in 2009, DHL is counting not just on growth in emerging markets, particularly in Asia, and increasing productivity within its existing operations in Europe, but also on strong growth in the US market. "We're on track at the moment, so we're optimistic for the future," Mullen says. "It needs a turnaround in the US, it needs continued strong growth in the emerging markets where we need to continue to invest heavily and grow those businesses, and re-engineer Europe to extract more productivity out of the very large critical mass that we already have."

The company's structure, however, is clouding the picture. Having acquired more than 40 companies over a ten-year period has meant that, instead of forecasting trends and drawing up budgets based on past performance, the firm has to decide what it wants to achieve next year and work backwards to figure out how to do it. Due to these challenges in long-term planning and the pressure of meeting quarterly financial targets, Mullen says he would support switching to half-yearly interims. "The timing with which you do it is critical, because if you do it a time when people think you're trying to hide something then it's probably more damaging than not doing it. If you were to do it on a high, when everybody's very happy with (the company's) performance, then I would go to an interim."

Find article at
https://knowledge.insead.edu/leadership-management/strategy/ceo-view-john-mullen-of-dhl-2053

Download the Knowledge app for free