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Interview: Making the best of a broken world

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Sir John Egan is living proof of the adage that engineers understand that the world does not work properly: he only has to remember his mother's plans for him – he was supposed to be a great concert pianist.

Instead, he focused on engineering and helped deliver Jaguar cars and Terminal 5 at London's Heathrow airport, among a string of achievements in a distinguished career in British industry.

“Engineering is a terrific framework for business,” he says.

A BSc in petroleum engineering from Imperial College and an MSc in business studies at London Business School was the combination that took Sir John to Massey-Ferguson and then to Jaguar Cars in 1980, where he first came to the nation's attention by turning around the struggling car manufacturer.

“It was a painful process. Indeed, people were on strike when I arrived. But we turned around the whole business in three years – in the fourth year we privatised the company and floated it on the London stock exchange,” he says.

“It was one of the most marvellous things. There is something about a corporate spirit where people believe in what they do to such an extent that the impossible can get done, not just once but again and again.

“The cars were always very beautiful but could we make them work? We analysed that we had 150 faults to cure before we were equivalent to a Mercedes-Benz...and we did it,” he adds with relish.

Once Jaguar was profitable, would-be buyers began to circle. When the chairman of Ford Europe called unexpectedly, Sir John said the company was not for sale.

“Sadly the share price shot up to the point where we could never make the company worth that price – it just wasn't possible,” he adds. And so Jaguar was sold to Ford for £1.6bn in 1989.

He regards that as a very sad day. “One of the difficulties you get if you have managed things well in this country is that you invite takeover. But I suppose as a capitalist you can say you've created shareholder value,” he says.

From Jaguar he moved to BAA, the airports operator, which was being investigated by the Office of Fair Trading for “innumerable breaches and needed to make customer focus its top priority,” he says. “I remember saying to the managers that we have a monopoly and no one likes monopolists – the only way to do this is to earn it every day.”

BAA has since been sold to Ferrovial, the Spanish company, which he is relieved to say was not on his watch. “But I did manage to get permission to build Terminal 5, although it took 14 years – and even then it came through after I had moved on.”

A former president of the Confederation of British Industry, Sir John’s many executive and non-executive roles have spanned a range of industries and sectors and brought various challenges.

For example, as he took on the role of chairman of Severn Trent, the water authority, he thought to himself: “This, at least, is not a hard-hat appointment – quite a straightforward one.” But he was wrong.

Sir John says: “Just as I arrived there was an anonymous whistleblower who clearly had a better understanding of the company’s affairs than the board of directors. We had to do a lot of cleaning up, pay a huge array of fines and start to improve performance.”

Always outspoken, Sir John retired last year and at 71, he says: “It has been a marvellous career. The real purpose of business is satisfying customers, and trying to make money for shareholders at the same time. To do that, you have to put a lot of effort into leading your employees to world-class performance.”

He says about Severn Trent: “The reason we got such good results is that we used the same process improvement methods of the car industry to get leadership at a shop floor level – from 15 days to mend a leak we got it down to three.”

Today, he is putting his experience of UK plc to use in the debate over corporate governance, and he chaired the steering group which helped the Institute of Chartered Secretaries to draft a Guidance on Board Effectiveness, commissioned by the Financial Reporting Council, and now published. Its purpose is to help boards of UK companies avoid the problems that contributed to destruction of value during the financial crisis.

Sir John continues to speak on boardroom issues: “The chairman has all the levers in his hand and needs to decide what to do if performance is not good enough.

“I’ve had to fire a chief executive in my time,” he says.

Today he would like to see “more young people setting up their own businesses in the UK”. As Chancellor of Coventry University, he points to the “very good engineering school, design school and fashion school” there, and to the entrepreneurship fund he has set up for university students who want to move in this direction.

It is a subject close to his heart – his father offered him a role in his car dealership business as he was setting out on his career, but cars were to prove his making in a different way.

Keeping active in retirement is important, he says, and he “reads a great deal” but is still the sportsman, skiing for a few months of the year and playing tennis regularly.

He also plays the piano, particularly Chopin, if not quite to the level his mother would have wished. With characteristic bluntness he says: “I see it as hard work, and I have to be disciplined.”

- My big break?

Michael Edwardes [now Sir] of British Leyland for having enough faith in me to give me Jaguar cars to look after.

- Person who made a difference

In the early days, Bill DeLong who was finance director at GM [General Motors]. I was also very impressed working with Michael Edwardes.

- Would you rather have done something else?

I would like to have been able to stay longer at one of the businesses and make it bigger – but that is probably asking too much.

- Best career advice to others?

Business is about satisfying customers – if you forget that you’re never going to be a good businessman. The banks have forgotten that.