

Learning from change: Four lessons from the *new Bell*

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Today, I would like to share with you some of the lessons that the new Bell has been learning over the past three years as we have undertaken the single largest business transformation in Canadian history. These lessons involve the tough decisions that we had to make in the process of creating the new Bell, a rejuvenated company that's mission is to connect Canadians to the world.

And I draw your attention now to the most important lesson and a theme that will run through my entire presentation - customers drive the new reality for business, whether in communications or power generation. It isn't simply a question that companies have to be more aware of their customers - it is a challenge to address what I call the customers' revolution of higher expectations.

Understanding the real issues for your business.

Canada's communications industry has gone through massive and fundamental change over the past five years as we moved from a rate-regulated to a competitive environment.

For us, the key change drivers were changes in technology, the introduction of competition, and globalization underpinned by rising customer expectations.

Each trend on its own represents significant challenges. But, welcome to the '90's! These trends are accelerating and converging, which makes them a tricky bundle of propositions to manage. At Bell Canada, we had to understand that these drivers were fundamentally reshaping our industry. But we also had to come to grips with what it really meant for our long term positioning as Canada's communications leader. Let me address these change drivers one at a time.

From a technology perspective we had to understand that in today's environment having an advanced technological capability is the mere price of admission. Every communications company has to be close to state-of-the-art to be considered a contender. Product life cycles are being slashed. Companies can no longer run with a static portfolio of products and services and expect to be market leaders forever - customers simply won't allow it.

On the competition front, it isn't enough to say that it's coming or it exists. Companies have to discern what is the nature and source of your competition. For example, when competition in long distance was announced, little did we or the government know that we would lose 22% market share in five years. This loss, representing over \$700 million annually in

revenues, occurred twice as fast as the CRTC predicted and four times faster than AT&T experienced when the U.S. communications market was opened up to competition in 1984.¹

Almost overnight, we were threatened with the commoditization of our industry with price being the only differentiating feature among a proliferation of offerings.

The fact that the major competition was coming from global carriers like AT&T and Sprint was another key learning point for us. We had to ensure that our offerings to customers were global class.

Which meant that we had to immediately tackle globalization issues.

The critical factor for companies that are moving from a regulated monopoly environment to a de-regulated competitive marketplace is to get to know your customers really well, understand and service their current needs, but also anticipate and innovate to meet their evolving needs. And do it in a way that can stand up to being benchmarked against the best in the world.

Making the hard decisions.

We have reorganized to concentrate our expertise and better align it with our customers' needs. We segmented our customer base to address the unique needs of consumers and small and medium-sized businesses and then created the Industry Vertical Teams within the Corporate Markets side of the business.

We've developed new partnerships to complement our strengths. Along with the global alliance I mentioned previously, Bell Canada has formed partnerships with among others IBM which allows us to leverage each others' core competencies by concentrating Bell Canada's efforts on Wide Area Networks and having IBM handle managed operations services.²

Now I am not suggesting that partnerships and spin-offs are the solution for every company going through change. But there are important lessons to be learned from our experience.

First, be very responsible in how you implement change throughout your company. Not only are your current or potential shareholders watching, so are your current and future customers. Your customers want to feel good about their suppliers and will judge how you handle the sensitive task of reorganizing and reorienting your company. The same holds true for regulators and governments.

Second, make your decisions, set your plans and then get on with implementation. You have to be relentless in pursuit of your change goals or you will not reach them. And a key ingredient in reaching them is having your people on board and engaged in the change process.

¹ Draft of McGoeys remarks for Canadian Nuclear Association, p. 6.

² *Bell Canada and IBM Ltd. sign landmark agreement*, News release, September 9, 1996, (Bell Canada website - Library)

Our Business Transformation Process which involved over 150 different projects to restore our financial health and renew our human resources has been the engine driving our three year plan. Its success has depended very much on the commitment of our senior executives beginning with our President, John McLennan and continuing down to the front line supervisors. Continuous communications and a willingness to share with our employees all the news, both good and bad, has helped us to maintain our course.

Need for Innovation.

Perseverance in driving change often is what separates the challengers from the also-rans. In the case of communications, it was stick-to-it-ness that drove Alexander Graham Bell. And I think that in this year, when we celebrate the 150th anniversary of his birthday, it is interesting to consider what we can still learn from the person who launched the modern communications era when he made the first long distance call from Brantford to Paris, Ontario.

That single action was the result of Bell asking seemingly tough questions and then answering them—answering them by taking action—by innovating, making new devices and making existing ones even better.

The questions that drove Bell - *What if? How come? How about? Why not?* are the ones that need to be asked every day, in every age, because they represent the spirit of invention and innovation that moves industries and societies forward.

The point here is that in today's world you either innovate or get left behind. It is as simple and as complex as that. And so I challenge you to consider similar innovations that you could move quickly to market in your industry that will help you exceed your customer's expectations and provide you with the competitive edge you'll need as your environment changes.

Conclusion

If I can conclude then with one final lesson from our experiences at Bell Canada. Take to heart - The goals posts are always moving! There is no turning back. Customers will continue to push for greater things from their service providers whether in communications or other industries - and we must deliver. That is the challenge and the opportunity that the rise in customer expectations offers us.

The new Bell has embraced these lessons and the ongoing challenge of bringing ever better value to our customers. We are committed to succeeding in this new world and hope that our experiences will spur other Canadian companies to do likewise.