

¹ Bell Canada Enterprises – Teaching Note

developed this teaching note to guide the use of the multimedia case entitled Bell Canada Enterprises for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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SUMMARY

Karyn Brooks, (recently retired) Senior Vice President and Controller of BCE and Bell Canada is faced with an impending problem. Karyn needs to figure out how to cut costs to keep Bell's margins the same so that BCE can continue to be competitive within the marketplace. Bell needs to be able to make these cost cuts without affecting their network and quality of customer service. Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case to gather needed evidence.

KEYWORDS

Downsizing, Cost Cutting, Organizational Structure, Decision Making

CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To guide students towards alternative means for reducing head counts in large companies
- To enhance students understanding of the telecommunications industry

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POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

POSSIBLE QUESTIONS FOR ASSIGNMENTS

For the issue outlined in the case, students can be asked to identify a set of alternatives available to organization or interviewee, suggest a solution and then explain why they chose that solution and not others. Other questions that will help students prepare for their case analysis include:

- Can you find any information about average salaries in the telecommunications industry?
- What are the financial implication of a 1000 employee head count reduction? How about 5000 employees?

CASE ANALYSIS

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Issue: The Issue and Cause video clips outline the problem or challenge of the case.

- My name is Karyn Brooks, I am Senior Vice President and Controller of BCE and Bell Canada. We have a significant issue because of competitive pressures in the marketplace. We have to cut costs to maintain our margins. We need to look at the ways we can do that knowing that head count is our single largest variable cost. The cost cutting initiatives are important. One because we are trying to achieve a leaner structure so we can get work done more efficiently. The competition in the marketplace is incredibly fierce so we suffer price competition and revenues go down. We need margins to stay the same. Although we can't cost cut to greatness, we do know there are places all across the organization, and because Bell is such a large company, where we can cut costs without doing any damage to customer service or the quality of the network services.

Analysis:

To start their analysis of the case, students should view the Background video clips. These clips should help students grasp the following points or case facts.

- BCE has been in operation for over 125 years
- BCE is service provider that charges for service either based on a flat fee with a limited amount of usage or on a per unit basis
- Firms within the industry, of which BCE is the largest, compete on price
- Cost cutting is essential to be profitable and as well as compete
- Technological change and price competition are the two big issues facing the company

Researching information sources other than the content of the cases should enable students to garner the following insights: (Source: <http://cwta.ca/facts-figures/> & <http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2014/cmr5.htm>)

- In 2013 there were more than 24 wireless telecommunication service providers in Canada but over 800 in the telecommunications sector.
- 31 service providers are cable operators
- There are over 28 million wireless phone subscribers in Canada
- In 2012 15% of Canadian households used wireless phones exclusively
- Wireless revenues were over \$20 billion in Canada while the figure was \$44 billion for the entire Canadian telecommunications sector
- Over \$36 billion was invested in Canadian wireless infrastructure since 1985

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts. Here are three suggestions.

- *Which Way Should You Downsize in a Crisis?* <http://sloanreview.mit.edu/article/which-way-should-you-downsize-in-a-crisis/>
- *Strategies for Successful Organizational Downsizing* <http://webuser.bus.umich.edu/cameronk/PDFs/Downsizing/Strat%20Successful%20Org%20Downsizing.pdf>

- *HR Strategies that can Take the Sting out of Downsizing Related Layoffs*
<http://iveybusinessjournal.com/topics/strategy/hr-strategies-that-can-take-the-sting-out-of-downsizing-related-layoffs#.UvfpCfldWBJ>

Students could use a downsizing framework which identifies the best practices for downsizing from the article Zatzick, Chris, Marks, Mitchell and Roderick Iverson, Which way should you downsize in a crisis? . This article focuses on types of downsizing reactive or proactive and companies approaches to managing employees control orientated versus commitment oriented strategies. These two variables are combined to create a four quadrant matrix with each quadrant representing different philosophies. First quadrant - Employees viewed as assets, attempt to retain survivors. Second Quadrant - Employees viewed as assets, keep survivors engaged. Third Quadrant - Short-term survival through across-the-board cuts. Fourth Quadrant - Employees are a cost to be minimized, not key assets.

Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the Alternatives video clip.

- The issue we are trying to deal with is how to cut costs so that we can remain competitive in the marketplace. Head count is our biggest variable cost and with head count come ancillary costs. So the alternatives when we look at whether or not to cut costs by reducing headcount are to do nothing, to take out a flat fifteen percent across the organization, to look at outsourcing certain functions in the organization and hope that you can get costs savings through the outsourcing initiatives. Or to do a thoughtful reduction of headcount that may still have a mandated percentage of people, but allows us to continue to do the same work. The fifth option would be to actually spin off a portion of the company just to take the head count down.

The Solutions video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

- The decision that we made was to take out a flat percentage, a head count across the organization but to do it thoughtfully because we couldn't harm service quality, we didn't really want to cut customer service because we needed the people there. With a thoughtful headcount reduction this allows us to get a cost out well still managing to get the majority of work done. So each business unit needed to go through an exercise where they looked at how they do the work and what the output were and whether there was any work they couldn't do and then how they organized the remaining staff to deliver the same outputs without affecting quality. When we looked at the other alternatives, doing nothing was not an options. Outsourcing we had found a far bit of outsourcing, which have been recently successful, there are cost associated with just doing the outsourcing

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itself we have an issue at Bell many of the corporate employees and virtually all the field techs are unionized and we have in our union agreements that we can't just eliminate jobs it's not permitted. So we had to focus on the management layer in the company so outsourcing wasn't really an option. Spinning off the company, by the time we were making these decisions we had sold most of the of our non-core business, the ones we kept were business that were left were business that we wanted to keep, because they were complimentary or interictal to one another for one reason or another. So after review all those alternative it become clear that only thoughtful headcount reduction was the appropriate answer to the solution. In hindsight this was absolutely the right decision, we continue to deliver with less people and this has assisted in maintaining margins.

SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Business Strategy
- Organization Theory
- Human Resource Management

ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about industries in general might make use of numerous online information sources some of which are noted below.

High Beam Business, <http://business.highbeam.com/industry-reports>, Industry Overviews
Plunkett Research, <http://www.plunkettresearch.com/>, Industry Overview
Value Line, <http://www.valueline.com/Stocks/Industries.aspx>, Industry Overviews

Other important sources include:

- Canadian Telecommunications website (<http://www.telecommunications.ca/>). History of the Canadian telecommunication industry
- Canadian Radio and Telecommunications Commission
<http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2014/cmr5.htm>
Communications monitoring report, telecommunications sector.
- CWTA <http://cwta.ca/facts-figures/> Facts and Figures about the Canadian wireless technology industry
- Payscale.com
http://www.payscale.com/research/CA/Employer=Shaw_Communications_Inc./Salary
(average salary information for communications workers)

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- Reuters <http://www.reuters.com/search?blob=bell+canada> Information regarding the industry in which the organizations operates in. Provides financial information, as well as names of executives within the organization.
- BCE <http://www.bce.ca/investors/financialperformance/quarterly> Information regarding Bell's financials directly from their website.
- Newswire <http://www.newswire.ca/en/story/1301141/bce-reports-q4-and-2013-results-announces-2014-financial-outlook> Provides an in depth analysis of Bell's financial data, as well as their dividends, and how different events/campaigns contribute financially.
- Yahoo Finance <https://ca.finance.yahoo.com/q?s=BCE> Provides a company background including: financials, news, competitors, industry analysis, and charts.

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- Canadian Radio and Telecommunications Commission (CRTC) <http://www.crtc.gc.ca/eng/publications/reports/policymonitoring/2014/cmr5.htm>
- Canadian Wireless Technology Association (CWTA) <http://cwta.ca/facts-figures/>
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