REAL WORLD CASE 4

Cincinnati Bell: Change Management Challenges of Business Convergence

As president and chief operating officer of Cincinnati Bell, Jack Cassidy generates a steady stream of revenue from his 127-year-old local phone business. Even when facing rivals, the unit of Broadwing Inc. (www.broadwing.com) wins: It captured a whopping 70 percent of the Cincinnati area's consumer long-distance business just 18 months after entering the market, and the company's recent foray into the wireless arena was similarly auspicious.

So why did Cassidy announce an overhaul of Cincinnati Bell (www.cincinnatibell.com) in early 2001? He was in pursuit of nothing less than the Holy Grail of the telecom industry: He wanted to "bundle all his services onto a single bill and be the sole provider of telecom services for his customers." That required a complete reorganization of the business. Many other telecom companies had tried to bundle and failed. Still, Cincinnati Bell succeeded—and has been reaping the benefits by not only simplifying customers' lives and making them happier but also creating opportunities to sell them more services through package deals tailored to their situations.

A detailed study convinced Cassidy that reorganizing would both increase revenue and cut expenses, so he huddled with all his managers for three days to work through a plan. In a process that Cincinnati Bell calls convergence—more commonly known as "synchronization"—the company reorganized itself by starting with the needs of particular groups of customers and then working backward to see what the company should look like. Cassidy disbanded his product and service units and established divisions serving businesses and residential customers.

That caused plenty of tension. Heads of business units were stripped of their "general manager" and "resident manager" titles, and some dropped as many as three levels in terms of titles, so Cassidy had to explain that many of them were, in fact, gaining responsibility. For example, a business unit head who was reassigned to running a key function of the new customer business now has much more revenue responsibility.

Ann Crable, head of call-center operations, needed to prepare her customer service reps to handle phone calls about any or all services, rather than have to hand phone calls back and forth across corporate boundaries. If convergence was to provide all the projected revenue growth, Crable also needed to train reps to sell big-ticket items such as wireless and high-speed Internet access to customers who called with a question or problem. Before the push to converge, the reps had been peddling add-on services such as voice mail and call waiting, but they had little experience in "cross-selling" to customers.

Even together, the change had to occur in an environment where lots of Cincinnati Bell's employees feared they would lose their jobs—and where some did. Among other changes, the company reduced its number of call centers to 11 from 16. The company brought in outside experts in the field of "change acceleration" to help people through the process. "You can't have people drink from a firehose," Cassidy says. "As much as I'd like to think that everybody could understand very quickly why we had to merge all these businesses together, nobody could."

Change didn't happen quickly. It has taken some time to move everyone's thinking from a "product point of view" to talking in terms of "one company serving the customer," says Don Daniels, vice president of consumer marketing. But change did happen. Not only did the call-center reps get retrained, but even linemen and repairmen pitch products whenever they come into contact with customers.

Chip Burke, head of IT in the new organization, drew the task of making sure the company's computer systems could adapt to and keep up with this newly unified approach to customers. He said there was no system available in the market that would handle this problem. And he estimated that if there were such a system, it would probably cost between $50 million and $100 million. "We were basically told to make it happen with the resources that we had already," Burke said.

Before convergence, each business unit had its own computer system, its own website, its own IT staff, and its own call center. Many parts of the business used different technology and incompatible software. Without the money to build a system that would make all the company's systems speak the same language, Burke used what Cassidy calls "spit and baling wire."

Burke developed an automated process to pull information from all the different databases, translate it into a common form, and build an aggregate picture of each customer—what he was currently buying and what he might be willing to buy. For the smaller base of business customers, Burke had the same process done manually. To put all changes on a single bill, Burke had each of the existing billing systems send data to a central repository that now churns out all bills. It wasn't pretty, but it worked. And in the process, Burke says, the company's IT budget actually declined.

Case Study Questions

1. Was the reorganization of Cincinnati Bell as revealed in this case a good business strategy? Why or why not?
2. Were the change management methods revealed in this case adequate for the changes being made? Why or why not?
3. What further changes should be made in IT systems to better support Cincinnati Bell's business convergence? Defend your proposals.

Source: Adapted from Joanne Kelley, "Cincinnati Bell Wether," *Context*, June/July 2002, pp. 29–31.