

Process Approach to Project Delivery (1990-2006)

CMA/CAM-I Summit

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Agenda

- Relay my experiences as an Internal Consultant in 3 Canadian Telecoms and 1 Equipment Supplier since CAM-I assessment
- Key learnings
- Modified Approach

3 Canadian Telecoms

- Bell Canada
- Expertech Network Installation
- Northwestel Inc

All part of BCE(Bell Canada Enterprises)

1 Global Communications Equipment provider

- Nortel Networks

Bell Canada-*post CAM-I assessment*

- ABC used as the focus for targeting cost reduction
- Company shifted from Network focused company to Market driven
- Huge focus on product profitability-emerging services were the least profitable-resulted in "Galileo"-the name of the Transformation initiative

The Process Approach – WHY?

- Recognition that the way work was done needed to change significantly in order to:
 - Increase margins on new services
 - Drive down operations expense
 - Reduce inefficient processes / re-keying of data
 - Enable future growth of the business
 - Simplify the business, standard products, standard processes

Traditional Functional budget cuts would not work!

Principles of New Model

Pre-provisioned
network with
standardized
access

Simplified value
proposition

Simplified middle
and back offices

Process Improvements

Sales and Contracts

- ✓ Collapse multiple functions for:
 - Building complex quotes
 - Verifying network availability
 - Pricing adjustments
 - Delivery scheduling

Order Manage- ment & Activations

- ✓ Replace multiple processes with 1 integrated process for circuit/network provisioning
- ✓ Deliver custom designs through professional service model
- ✓ Pre-provisioning enables automatic activation

Customer Service Assurance

- ✓ Increased logical monitoring enables:
 - Improved remote diagnostic
 - Reduced truck rolls

Support Services

- ✓ Significant reduction in IS/IT, Finance, etc. support due to reduced processes and increased standardization

- ✓ Data migration first priority – supported by strong customer interest in IP
- ✓ Voice migration – a natural evolution
- ✓ Yields a permanent reduction in expense base over future periods

Has Bell become a Process Managed company?

- Not totally.....
- Opportunities
 - Measures
 - Strategy-Balanced scorecard
 - Process- need to integrate customer, and financial
 - Human performance system
 - Implementation of change to all performers

Key learnings

- Executive support-Stay the course
- Critical business issue clear for the entire company
- Leadership development mandatory

Nortel Networks

My role

- Provide process development provided to new entrants(.com)
- Develop internal Nortel resources to provide the service
- Develop Professional Services processes for Nortel

Process Focus

- Worked with customers who had spent lots of money on Nortel equipment, but were not able to deliver services
- These customers saw the value of process management, made significant changes in quality and cycle time reduction

What happened?

- Grew the Process Practice to 48 people
- Company was network product focused, never really embraced the value of professional services
- Professional Services shut down, when company returned it's focus to core products

Expertech Network Installation

My Role

- Strategy Development & Implementation

Challenges

- Parent was the major customer, little hunger for growth
- Process Management not supported by entire exec team
- My champion was “restructured”
- I ended up project managing, while focused on processes from the ground up

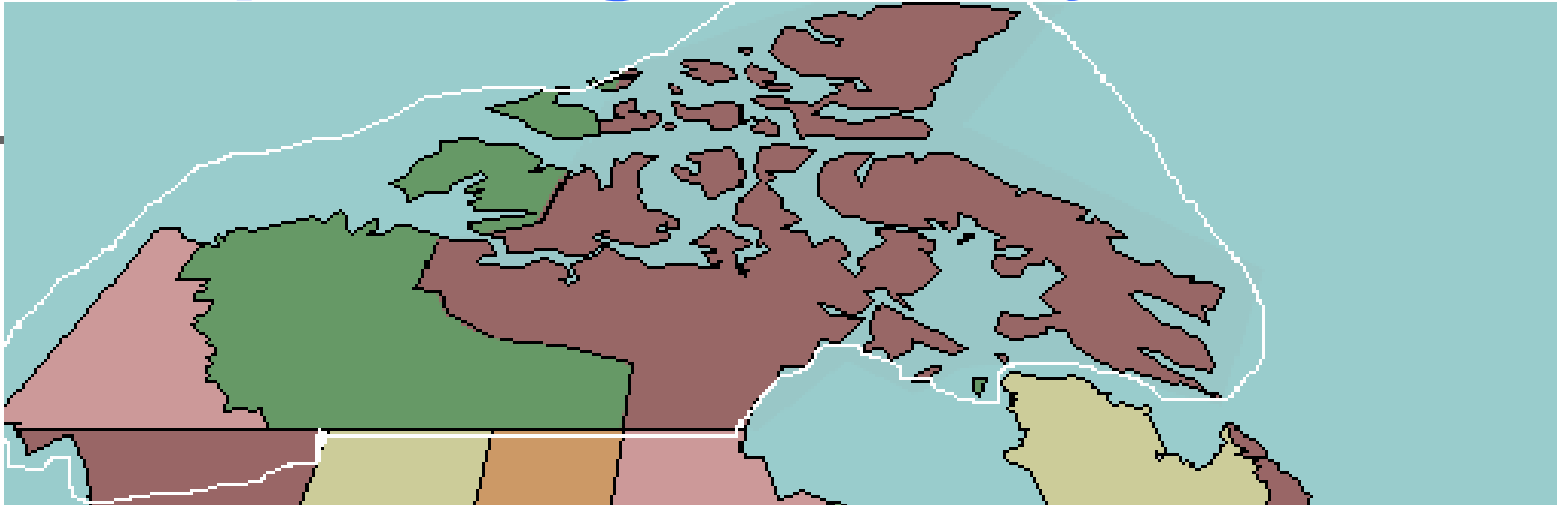
Key learnings

- Executive sponsorship key
- Has to be a critical business issue

Northwestel

- Northern Canada Telecommunications Provider
- 110,00 customers-96 communities
- Yukon, Northern BC, Northwest Territories and Nunavut-nearly 4 million square kilometres
- Services include, local, long distance by microwave, radio, fibre optic cable and satellite, high speed internet.
- Own 3 cable companies which provides cable tv and hi speed internet
- Became a fully owned subsidiary of Bell Canada in 1999

Our Operating Territory



- Operating area 4 million sq. km (40% of Canada)
- Serving 96 communities, 115,000 people (.4% of Canada)
 - 40% of population localized in 2 communities
 - 79% of communities have less than 500 NAS
 - 48% of communities accessible by air only, serviced by satellite technology
- Large Aboriginal population, comprising 57% of total
- Remote, rural, arctic and sub-arctic environment, network comprised of 350 sites
 - 1/3 of sites have no commercial power, stand alone power generation
 - 49% of communities served by satellite, primarily eastern territory
 - 50% of communities served by digital microwave radio and 1% fibre optic, primarily western territory

Facts & Statistics

- Operating area (km²) - 3,900,000
- Population - 110,000
- Network Access Services (NAS) - 75,194

- Number communities served - 96
- Communities served by satellite - 45
- Communities served by digital exchanges - 100%
- Toll exchanges - 4
- Kilometres of microwave radio - 7063
- Kilometres of high capacity fibre optic cable - 1439
- Long distance telephone service revenues - \$ 43,100,000
- Local telephone service revenues - \$ 43,400,000
- Private network, directory and other revenues - \$ 39,900,000
- Supplemental Funding - \$ 14,100,000
- Gross capital investment per NAS - \$ 7,112
- Average full-time equivalent employees - 570

Northwestel

My role at the onset

- Set vision and stretch goals for process improvement to ensure Regulatory requirements for productivity gains were realized
- Develop internal capability
- Implement a continuous improvement culture

My approach

- Completed an assessment
 - Environment
 - Customer focus
 - Process Documentation
 - Metrics
 - Organization structure
 - Cultural readiness
 - Any burning platform for change

What I saw in 2003....

Customers

- Monopolistic view of customers
- No local competition
- Some competition in data services, but limited (exec saw as a threat, but employees didn't)

What I saw in 2003...

Environment

- Economy of NWT growing at a faster rate than anywhere in Canada

What I discovered...

Process Documentation

- Processes were defined in ABC, but major delivery processes were not documented
- Some methods and procedures were documented for functional groups, but no cross functional maps

What I discovered...

Metrics

- Financial measures were good, but no cost per measures
- Customer metrics were focused on what had to be reported to the regulator (there were VOC measures, but validity of measures was questioned)
- ABC cost data was available, but again given little credence
- Some quality measures were in place, but only based on management ride alongs
- No cycle time measures in place

What I discovered...

Organization structure

- President actively involved in day to day decisions
- Functionally based
- VP's measured and rewarded on functional unit performance

What I discovered....

Cultural Readiness

- Process meant job cuts
- Instead of having people work on process, give us more techs/service reps to do the work attitude
- Entitlement mentality, not focused on customer

Burning Platform

- Competition on emerging services likely
- Subsidized by southern telcos, but that funding expected to gradually disappear
- Cost to serve very high in the north(10K charters in to remote communities to fix out of service troubles)

The journey...the plan

- Present assessment to exec, with plan
- Utilizing ABC cost data, identify areas of focus
- Create cross functional teams to deliver

The plan

- Recommendation-find \$1.5m of cost takeout from Customer Delivery Processes(based on ABC analysis)

What actually happened

- VP's already had their own initiatives, and there were no resources to work on areas of focus
- Rate of return targets were being met, so if we overachieved, had to give money back..... No one wanted that!!
- I went back into the organization to start building capability to do work differently
- Strong micromanagement culture thwarted my efforts
- My "champion" left

Crisis.....

- A major initiative was in danger of being cancelled, due to cost overruns, unless we could strengthen the business case
- Process people demonstrated how the process would change and the resultant benefits
- The lights went on

Then....

- Order Fulfilment and Service Assurance process owners put in place
- Types of questions start changing

At the same time....

- Worked with my colleagues demonstrating the value of the approach
- Continued documenting processes as major system changes were implemented. IS VP started wanting more
- Employee satisfaction numbers in....want more involvement, results not good
- Director revolt re: micromanagement
- 42% loss rate first 6 months of the year(management levels)

There was a burning platform!!!

The plan....2005

- Design Future Mode of Operations for Customer Delivery Processes
- Find \$1m of cost takeout from Customer Delivery Processes, in line with FMO
- Cultural change focus to evolve leadership from micromanagement to one where people take accountability for their actions

Status-2005

- FMO designed
- 2 key projects which will deliver \$1.5 m
- Process for process improvement adopted

Key learnings 2005-Northwestel

- Readiness
- Exec champion
- Strategic enabler-seen as the means
- Ground swell can pull
- Process really does need to drive IS investment
- Difficult for internal resources to create the future, due to the narrowness of their scope

Status Northwestel 2006...

- Company sets out on path to become a “50 Best ” company in Canada by 2009
- BCE the parent company sets up “Bell Aliant Trustco”- what happens to Northwestel?
- Aggressive growth strategy announced by President (double the revenue in 5 years)
- Regulatory framework changes. Move from regulated rate of return to price cap
- Company introduces “Rapid Application Development (RAD)” methodology to reduce cycle time and improve quality on projects

What's changed?

- Future Mode of Operation Business architecture refined
- IS current architecture assessed for capability
- Future Mode of Operation 3 year roadmap developed and investment plan built (process, systems and job performer)
- Projects delivered using exCITE!

Key learnings-Northwestel

- We have great high level financial metrics, but few indicators of how well we're serving customers as they wish to be served....and those we do have are from our perspective
- Few process indicators, even with the naming of the Process Owners
- Exec readiness is key, must be a burning platform
- Prioritization Criteria for selection of projects defined by executive is required to help the rest of the organization make timely decisions

Recommendations to facilitate the Process approach to Project Delivery

1. Define key strategies (few to provide focus)
2. Define key balanced metrics
3. Define which processes must be addressed to support strategy
4. Define projects to enable the processes
 - Process Re-design
 - Metrics
 - IS enablers
 - Job Performer changes

Recommendations to facilitate the Process approach to Project Delivery

5. At project implementation, an assessment of the readiness for change and degree of disruption should be done, utilizing the components of the assessment
6. Must be a burning platform-PBM must be seen as the enabler
7. Executive Support mandatory

Recommendations to facilitate the Process approach to Project Delivery

- 8. Traditional functional organization structures won't support the changes. Some form of matrix management needs to be implemented to keep the organization focused
- 9. Budgets need to be allocated to the Process Owners

Questions??
