THE IMPACT OF CORPORATE CULTURE ON THE EXECUTION OF STRATEGY AT A TELECOMMUNICATIONS COMPANY

by

Joanna P. Lee
B. Sc. in Computing Science, Simon Fraser University, 1997

Gary Perkins
B. A. in Psychology, Simon Fraser University, 1999

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Name: **Joanna P. Lee and Gary Perkins**

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Supervisory Committee:

____

Dr. Mark Frein
Senior Supervisor
Adjunct Professor, Faculty of Business Administration

____

Dr. Michael Brydon
Second Reader
Assistant Professor, Faculty of Business Administration

Date Approved: April 11, 2005

ABSTRACT

Corporate culture can be either an asset or a liability to an organization depending on the nature of the internal and external environments within which a company finds itself. This paradox can pose a daunting obstacle for those organizations seeking to navigate increasingly competitive industries. In this paper we study a telecommunications company faced with the need to develop a sustainable high-performance culture yet burdened with an aging, unionized workforce among other challenges.

We consider organizational culture theories by Beer and Schein before concluding that the environment must first be stabilized before integrating Beer's organizational capabilities to complement the already ongoing economic value driven change. The objective of this initiative is to further harness the human potential within the company and leverage not just the technical skills and experience but the attitudes, beliefs, and values that will confer long-term competitive advantage.

DEDICATION

Joanna P. Lee

To my wonderful husband Pat for his unlimited patience, support and sacrifice as I pursued my goals. I could not have made it through these last two intensive years without you. Your respect and love have allowed me the freedom to grow and become a better person.

Also, to my dear friend Ana, who has always believed in me. Your support and encouragement through all the tough times meant so much. Thank you.

Gary Perkins

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And to my family and friends, thank you for your encouragement and for being so understanding. May your lives be blessed with health, happiness, and success throughout your many endeavours.

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GLOSSARY

BU	Bargaining Unit; refers to an employee at TELUS who is a member of the Telecommunications Workers Union.
CFBU	Customer-Facing Business Unit; the business units that consist of individuals who are primarily responsible for interacting directly with customers.
CLEC	Competitive Local Exchange Carrier; similar to an ILEC except that it is a company that was created after the Telecommunications Act with the purpose of competing with the incumbent firms.
ILEC	Incumbent Local Exchange Carrier; a telephone company that held the local monopoly on telephone service before the introduction of local competition.
IP	Internet Protocol; a protocol by which data is transmitted from one computer to another over a network. In the Open Systems Interconnection (OSI) communication model, IP resides in Layer 3 or the Network Layer.
MP	Management Professional; refers to an employee at TELUS who is not a member of any union.
NGN	Next Generation Networks; an industry term commonly used to refer to an IP-based, quality of service capable network that can handle voice, video and data traffic effectively and efficiently.
PSTN	Public Switched Telephone Network; general term referring to the variety of telephone networks and services in place worldwide.
SBU	Supporting Business Unit; the business units consisting of individuals who are primarily responsible for supporting the CFBUs.
Telco	Telecom or Telecommunications Company.
T&O	Technology and Operations; refers to the business unit at TELUS responsible for designing, planning, building, operating, and maintaining the TELUS network.
TWU	Telecommunications Workers Union; the union to which all bargaining unit members at TELUS belong.
VoIP	Voice over Internet Protocol; refers to transmitting analog voice signals digitally over an IP-based network.

1 INTRODUCTION

Long-term company success hinges on management strategies that create sustainable competitive advantage. Successful organizations are able to cope and adapt with change, as well as creatively manage value propositions that are both unique and difficult to duplicate. Organizational culture plays one of the most critical roles in long-term performance decisions as it underpins how companies value and embrace strategic change.

> *To survive, organizations have to work harder and smarter; which inevitably leads to change. Cultural change is the key to this process.*
>
> (Preston, 2004, p. 33)

TELUS Technology and Operations (T&O) is a supporting unit of the parent company, TELUS Corporation (TELUS), which is the second largest telecommunications provider in Canada. As the largest unit within TELUS consisting of approximately 8,600 employees, this division has seen continual change over the last decade as the telecommunications industry transformed from a monopoly to an oligopoly. In order to keep up with TELUS's attempts to successfully navigate this increasingly competitive environment where profit margins are declining, multiple reorganizations and changes in attitudes and values have been required of T&O.

TELUS's strategic intent is "to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move." To accomplish this, the objective is to use profits from legacy voice systems to focus on the high-growth technology areas of wireless, data, and Internet Protocol.

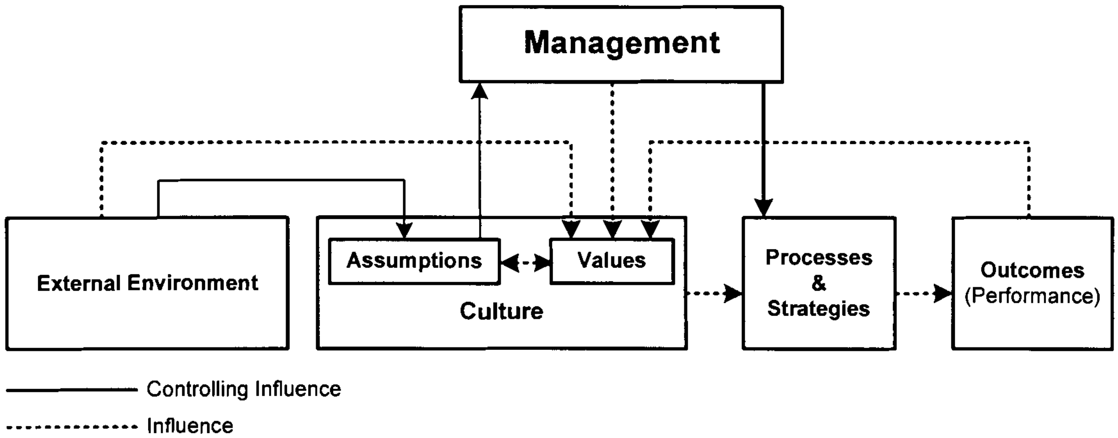
T&O is tasked with designing, planning, building, operating, and maintaining the TELUS network. As a result, it is this division which holds the key to the actual execution and implementation of the TELUS strategy. In an industry as dynamic and fast-paced as telecommunications, Technology and Operations is expected to keep stride with constantly evolving technology and other changes to ensure the company remains competitive in the marketplace.

Given the declining profits since the dot-com bust of 2000 and the ongoing rivalry among remaining telecommunications service providers, the need for a high-performance culture within TELUS is greater than ever. Companies are necessarily becoming leaner and more efficient as the luxury of throwing resources in a variety of directions no longer exists. Instead, opportunities are assessed primarily on the extent to which they enable the company to be more competitive and in so doing, better position the business for future long-term success.

From a technology perspective, the telecommunications industry continues to reinvent itself by delivering existing services more simply, quickly, and cost effectively but also through the utilization of cutting-edge technology in order to keep up with escalating demands. As TELUS takes a "right-angle turn" from the legacy circuit-based voice switching technology to a network based on Internet Protocol, the company must appreciate that there needs to be an equivalent, deliberate, accompanying change in personnel attitude to gain competitive advantage and ensure continued success through this critical stage of development in the telecommunications industry.

According to George G. Gordon, an expert in the study of corporate culture, to maximize an organization's chances for success its culture "must be appropriate to the industry imperatives, and under these conditions the company's survival and prosperity are limited only by that of the industry's" (1991, p. 399). Gordon (1992) further states that the complexity of the environment will have a resounding effect on the resulting culture and its ability to deal with uncertainty and change. Gordon's model, as shown in Figure 1, illustrates the impact of the external environment on assumptions and values and the resulting impact on processes and strategies.

Figure 1: Gordon's Model of Industry-Driven Culture Formation



Based on: Gordon, 1991

TELUS has survived for over a century in the Canadian telecommunications industry and has a history that includes adapting from a previously enjoyed monopoly to an industry leader in a highly competitive environment. Despite clearly stated strategic intents and corporate objectives, our findings suggest that TELUS remains burdened by a lingering monopoly mentality[1] compounded by a fierce loyalty to the past exhibited by the unionized workforce.

Without the flexibility needed to adapt freely and respond to the changing environment, TELUS's future ability to compete will be compromised. Technology and Operations primarily consists of an aging, unionized workforce and so the ability to successfully undergo the required cultural change away from the monopoly mentality will play a critical role in TELUS's ability to execute on its strategic intent.

[1] When an organization has long enjoyed a dominant position in its environment, it tends to think like a monopolist. It becomes difficult for the firm to think in competitive terms, as well as innovate or even reinvent the business model.

The aim of this paper is to evaluate the extent to which past and present organizational initiatives have been successful in transforming Technology and Operations into the dynamic and innovative team that will play an integral role in ensuring the future success of the company. Recommendations are provided on how T&O can best achieve this transformation. Specific focus is placed on the cultural tensions that have developed and the company's present situation is benchmarked against organizations that have experienced similar situations in order to recommend further direction.

The structure of the paper is as follows: Chapter 2 provides an external analysis of the Canadian telecommunications industry with a description of the competitive environment, discussion on the impact of regulatory bodies, and a focus on the competencies required to succeed as an industry leader. In Chapter 3 we examine TELUS and the Technology and Operations division in more detail. We first highlight the company's strategic intent and corporate objectives and then analyze the extent to which they are being delivered. We then provide further observations and discuss the cultural changes required for the business to effectively maximize its potential. Chapter 4 documents the viable alternatives including steps required to reach a desirable future state. Case studies are offered in support of each of these plans. Finally, recommendations and next steps are revealed in Chapter 5.

2 EXTERNAL ANALYSIS

In order to understand the environment within the Technology and Operations division of TELUS, it is critical to understand the telecommunications industry in Canada. A broad, macro-economic view of the economic, political, social and technological factors that affect TELUS and the telecommunications industry is used as the basis for this analysis. This analysis provides the foundation for understanding the organizational constraints affecting the current configuration and culture within T&O.

2.1 Economic Environment

In 1992, the Canadian Radio-television and Telecommunications Commission (CRTC) passed a decision initiating full competition in long distance services as well as facilities-based competition[2]. In 1994, the CRTC passed a similar decision initiating full competition in local access services. With these two landmark decisions, the telecommunications service provider industry went from a monopoly environment to one encouraging full competition.

In the ramp up to the economic bust of 2000, many mergers occurred and numerous competitive local exchange carriers (CLECs) appeared, funded heavily by venture capital investment. Two years following the telecom bust, only a handful of these CLECs remain having either been purchased by the larger merged players or simply ceasing to exist. This left the Canadian telecommunications industry in an oligopoly environment where, in 2003, total revenues for the wireless and wireline telecommunication segments were estimated at $31.3 billion (Industry Canada, 2002).

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[2] Facilities-based competition is when a new entrant constructs a network using its own equipment and cable to reach its customers.

2.1.1 Competitive Environment

TELUS operates as a national telecommunications provider offering a full range of services from basic telephony to local area network (LAN) and wide area network (WAN) voice and data services, infrastructure and management, IP-based and wireless technologies, applications development, and professional services such as IT consultancy, systems integration and business process outsourcing. Given this wide range of services, TELUS has a varied group of direct competitors, many of whom also function as partners.

The closest true competitors in terms of wireline or traditional services include other national telecommunications providers such as Bell Canada, MTS/Allstream, Aliant, and Call-Net Enterprises which operates as Sprint Canada. All of these organizations operate similarly by targeting companies in industry verticals such as financial, retail, manufacturing, resources, utilities and government. All firms also offer residential phone services in specific regions of the country.

The telecommunications industry has significant infrastructure requirements, including what is commonly referred to as the "last mile" or the connection from a provider's main switching hub to an end-user's premises. As part of the CRTC's decision to allow competition in long distance and local voice services, access to these "last mile" facilities was granted to all competitors. Thus, in order for TELUS to provide cost-effective services to a customer within the traditional Bell Canada territory, TELUS leases copper or fibre optic facilities from Bell Canada at a CRTC-determined tariffed rate. In this manner, all of TELUS's direct competitors are also partners.

In wireless or mobility services, TELUS has only two major competitors, Bell Canada and Rogers. Microcell, operating as Fido, was recently acquired by Rogers in November 2004, and other cellular providers such as Virgin Mobile, are actually reselling either Bell or Rogers services. Given that Bell and TELUS utilize the same wireless protocol on all of their hub stations, they have entered into an agreement to utilize each other's hub stations in order to provide national coverage. Thus, even in the mobility services industry, Bell and TELUS are competitors as well as partners.

As TELUS continues to increase its focus on providing IT consultancy and systems integration, the range of direct competitors begins to include *thin integrators* such as IBM Global Services, CGI, EDS, and Accenture. Thin integrators are so called given their business model of driving consulting and technology projects while subcontracting out the network infrastructure piece to other companies, generally the telecommunication providers. As a result, with one customer TELUS may be directly competing with a thin integrator, yet with another customer, TELUS may be partnering with the thin integrator and providing only the network infrastructure component. These are complex situations where firms are both competitors and partners in separate dealings and TELUS must be flexible and adaptable to compete in this market.

2.1.2 Competitive Strategy

Competition within the telecommunications industry is fierce given shrinking profit margins, yet measured since each firm often relies on another to provide a total solution to the most lucrative customers who span nationally across multiple competitor territories. In general, the competitive strategy among the wireline and wireless providers is a cost-effective, reliable delivery of service with high quality after-sales customer support.

Within the wireline and wireless segments, it is difficult for providers to show differentiation since the industry is primarily standards-based. Given that all players wish to be seen as technology leaders in this rapidly changing and growing industry, all companies are fast-followers once the latest emerging technology has been standardized. As a result, all providers offer the same types of voice and data services, and because the regulatory environment makes access to last mile facilities a requirement, all providers may offer services nationally.

Historically, key areas where differentiation can occur are not just on the customer-facing side, but also in the financials of each provider. All telecom providers require funds to build infrastructure in the core network as well as provide last mile access to the customer. Firms with higher cash flow and stronger balance sheets are able to obtain funding more easily and cost-effectively, leading to flexibility. Providers with more flexibility are better able to survive economic downturns, compete on strategic penetration pricing, and take higher risks with technology.

However, strong financials provide only a small level of differentiation as the lines defining the telecommunications industry are blurring. As the industry evolves, new competitors who are smaller, nimble and responsive are threatening the traditional telecom providers. When the Internet boomed in the mid-1990's, Internet Service Providers appeared and challenged the pricing structure of the existing telecom companies. In the last few years, Voice over IP (VoIP) companies such as Vonage have gained popularity and are wooing customers away from the traditional telecommunications companies. Cable companies have just recently begun offering VoIP services as well; Shaw Communications used to be a competitor only in the residential Internet market, but is unquestionably a threat to the telcos with its VoIP offering. In turn, TELUS is ramping up to offer broadcast cable service over its infrastructure, taking the firm into another market with different competitive pressures.

Looking forward, many telecommunication providers such as TELUS will seek a balanced approach in order to increase their chances of success. The ability to deliver services in a timely and cost-effective manner while providing competent and effective customer support is crucial. But over and above this, from an economic perspective, to survive the firm must be able to generate positive cash flow and a strong balance sheet. Finally, the traditional telecom providers must become more adaptable and responsive as the competitive landscape continues to change with new entrants and new technologies.

2.2 Political, Legal and Regulatory Environment

> *The culture of an organization is initially connected to the values of its founders, as well as the socioeconomic, regulatory and institutional environment of the organization.*
>
> (Cabrera & Cabrera, 2001, p. 249)

The CRTC is an independent agency reporting to Parliament through the Minister of Canadian Heritage. Since 1976 it has been responsible for regulating Canada's telecommunications systems. The objective of the CRTC is "to ensure that Canadians have access to reliable telephone and other telecommunications services at affordable prices" (CRTC, 2005). Unofficially, the mandate is to ensure there is competition among telecommunication providers, which theoretically will encourage innovation in new products, services and methods, make certain that consumers have choices, and guarantee an affordable cost for all in terms of telecommunication services.

In general, the CRTC has succeeded in this regard as Canadian businesses and consumers do have choices for mobility and wireline services, and costs for telecommunications in Canada remain among the lowest in the world. However, the CRTC does make it difficult for true competition to occur in an industry that requires a significant amount of infrastructure investment in order to be profitable. For example, the CRTC mandates that a telecommunications provider in Canada cannot have less than 66.67% Canadian ownership. This has made it difficult for many CLECs to become profitable given that international sources of financial backing remain off-limits. Experience has shown that those providers who build and then utilize their own facilities (i.e., copper loops or fibre optic cable) are able to achieve stability on their balance sheets much more successfully than those providers who simply lease other provider's facilities. But the cash flow required to build these facilities is substantial. Foreign ownership not only opens up the pool of investment capital, but brings managerial expertise, operational know-how and technology transfer (Parliament of Canada, 2003). With foreign ownership restrictions, telecom providers are only able to offer non-voting stock, which is unattractive to strategic investors who demand a say in the operations of the companies in which they invest. As a result, foreign ownership restrictions have curtailed many CLEC's investment agenda and infrastructure builds, thus impacting the CLEC's roll-out of services and ability to compete. The result of foreign ownership restrictions is that many CLECs have met with failure.

The CRTC can certainly be a challenge to deal with from the perspective of the providers. Incumbent Local Exchange Carriers (ILECs) such as Bell Canada and TELUS are heavily regulated in terms of price for tariffed services such as local voice and digital private lines. In order to change prices, the ILECs must apply to the CRTC; this is a costly process which generally takes over a year before a subsequent fall in rates. The additional regulatory burden severely hampers the ILECs ability to effectively compete against CLECs who can offer services at any rate they choose. CLECs do not have the embedded infrastructure and ongoing revenues that the ILECs are afforded, and so are given concessions by the CRTC in order to effectively generate a customer base and create a financially stable company. Thus, both ILECs and CLECs have different challenges that each must overcome; this is an example of the fairness that the CRTC effectively creates.

On the other hand, the CRTC can also create imbalance. For example, one such situation that is detrimental to ILECs yet beneficial to CLECs is VoIP. VoIP is an inferior quality voice service that does not require the major infrastructure builds that the ILECs must bear in order to provide standard quality voice services that connect to the Public Switched Telephone Network

(PSTN). Given that the infrastructure costs to provide VoIP are lower, both the ILECs and the CLECs can offer this service at a substantially reduced rate than existing standard quality voice services. Although VoIP is of inferior quality, to many consumers, the service is comparable to PSTN. The ILECs, hoping to offer a VoIP solution along with the typical PSTN service, are unable to price differentiate the two services as CRTC regulations prohibit ILECs from offering a *comparable* service at a lower rate than the tariffed service. This issue is currently in front of the CRTC and as a result the ILEC may not be able to effectively react to CLEC competition for over a year given the length of the CRTC process. In general, "regulatory developments could have an adverse impact on TELUS's operating procedures, costs and revenues" (TELUS, 2003).

TELUS has experienced a number of recent challenges with the CRTC including the formal review of service level complaints which resulted in a ruling that TELUS must improve or face further investigation, charges of anti-competitive pricing and business practices, and a string of debates concerning the bundling of services which is critical to TELUS's success. In this manner, the CRTC often handicaps the larger service providers and impacts their ability to compete with medium-sized entrants.

However, TELUS understands the challenge that the CRTC faces when regulating such a complex and dynamic industry, and has made efforts to work more closely with the CRTC. In September 2003, TELUS hired former CRTC executive, Janet Yale, as its Executive Vice President Legal, Government and Regulatory Affairs. TELUS has recently taken the approach of being a "trusted advisor" to the CRTC, and has made efforts to assist the Commission when making critical decisions on technology such as VoIP and the Internet, which have major impacts on the future of the telecommunications industry.

In summary, the telecommunications industry is heavily regulated, and both CLECs and ILECs face challenges in being able to react and compete effectively. Major changes in the regulatory environment, including the relaxation of foreign ownership and increased efficiency in dealing with tariffed services have the potential to significantly shift the balance of power within this industry. The CRTC may not be predictable, but any major decisions made by the Commission will be debated and take time to come to fruition. In this regard, all providers are on similar shaky footing. Thus, TELUS must maintain a close working relationship with the CRTC and be prepared for any regulations that further affect business. This type of regulatory environment forces TELUS, and thus T&O, to stay nimble and adaptable in order to be competitive.

2.3 Technological Environment

Along with the change from a monopoly environment, technological changes have been tremendous, especially with the advent of the Internet. For years, the objective for convergence was to find the optimal way to run data over voice circuits; now the direction has changed to finding the optimal method for running voice over data connections.

The technology convergence of voice and data has been a struggle for the large telecommunications providers due to CRTC regulation. For a provider offering services in its home territory, tariffed rates are applied on local voice and circuit-switched data services. Furthermore, in order to offer high-speed Ethernet-based or packet-switched data services, these firms had to create separate divisions that operated at arms-length from the parent corporation due to CRTC regulations. As a result, voice expertise remained within the corporation, but advanced data expertise was nurtured and grown at an arms-length for approximately six years from 1995 until 2001. Thus, as the telecommunications providers continue to build infrastructure for converged voice and data services, it remains a challenge for the voice and data teams to understand the complexity and difficulties of each type of technology.

Closing quickly on the heels of voice and data convergence is voice, data and video convergence. This development opens up a new competitive environment, not only with existing wireline providers, but also with television cable companies. On February 1, 2005, Shaw Communications announced its offer of VoIP, Internet and television services targeted towards residential customers in select markets within Canada. All of the wireline telecommunications providers as well as the other cable companies will no doubt be quick to follow with their competitive offerings, as is typical in this industry where players are fast-followers. In this industry, the company with the largest customer base in the consumer and business markets will have the best capability to grow and invest further in technology, leading to a greater advantage over competitors. This kind of logic is common among most major players in the industry; the more customers one has, the lower the average cost per subscriber. Furthermore, telecom companies understand that consumers have choices, and if they do not offer the latest in technology-based services, their customer base will be eroded.

The ability to offer new services utilizing an existing infrastructure such as an IP-based backbone only makes economic and business sense for telecommunications providers. Once the infrastructure is built, firms can easily layer additional services on top, opening up additional revenue streams with very little in the way of capital requirements. The ability to cost-effectively provide voice, data and video over a single IP-based infrastructure and provide high-quality after-sales customer support is yet to be proven. Technology alone cannot provide a competitive advantage in this industry.

2.4 Cultural and Sociological Environment

2.4.1 Consumers

Over the last two decades, consumers have changed from being complacent and bound to accepting the slightly higher rates associated with a monopoly, to becoming more concerned with the prices they pay for services. For example, long distance charges were high during the monopoly days, but these higher charges subsidized local monthly access rates and service to remote communities. Once competition emerged in the long distance market, and consumer complaints both to the CRTC and to the companies involved led to a significant drop in long distance charges, the previously subsidized local monthly rate was forced to increase. Consumers generally do not understand the price structure of the services they subscribe to, but with the increase in competition, they are undoubtedly now more critical of not only cost, but also service levels and features offered.

Along these lines, telecommunications and other similar service providers face the same kinds of influence by the customers they serve as do many other types of industries. The majority of consumers want the best possible service at the lowest possible price – creating a paradox and a certain challenge for companies such as TELUS. Customers have already demonstrated their propensity for switching Internet service providers regularly despite the costs associated with switching such as having to change their email address. The same is true for cell phones where the cost of switching providers is a change in phone number. Thus, it is likely only a matter of time before local telephone access becomes much the same way.

For TELUS, in terms of consumer high-speed Internet access, a number of key initiatives such as loyalty programs and a retention or "save" team that seeks to intervene when customers indicate they wish to cancel their service, drove churn from a high of 3.2% per month in June 2004 to an all time low of 1.8% per month in December of the same year. This represents savings of approximately $10 million just by reducing the number of customers on average (400+) that cancel their Internet access in favour of another provider. While freedom of choice has existed for some time in many other industries, it is still a relatively new concept with respect to telecommunications giants in Canada. Meeting the ongoing needs of consumers will continue to be a growing challenge; if a provider is unable to retain its customers, the competition will be ready and willing to service them instead.

2.4.2 Corporations

The corporate culture within the telecommunications industry over the last ten years has been tumultuous for employees with sharp changes in direction where beliefs and values are concerned. Since local voice and long distance services were deregulated, an escalating number of opportunities within the telecommunications industry continued until the economic bust of 2000. During this time, as the number of competitors within the industry grew, personnel moved from one direct competitor to another. As well, employees would move from telecommunications providers to hardware suppliers such as Cisco Systems or PMC-Sierra. This movement allowed workers within this industry a certain amount of power over the employers. As a result, salaries and benefits increased in order to retain employees who were now in demand, and as such the focus within the corporation was not only on the competition but also on the retention of workers.

In conjunction with the record growth of the late 1990's, stock prices in the telecommunications industry suddenly increased, making the industry attractive to the investment community who responded with a large influx of funds. Spending was lavish in many companies, from designer office furniture to hardware network technology which had yet to be proven but was purchased without a second thought[3]. This prolific spending extended to the employees, where many companies liberally funded weekly Friday pub nights and lavish sales conferences at high-end resorts. It was a crazy and enjoyable time for employees and everybody, including executives, did not realize this excess was unsustainable.

[3] As drawn from the author's personal experience as an employee at TELUS and other companies during this time.

Following the economic bust of 2000 and the subsequent depressed years of 2001 and 2002, those companies that did survive had to react quickly and bring economic balance back to the industry. These companies were forced to downsize and the morale of the remaining employees plummeted. Workers no longer had the ability or power to move without a second thought to another firm, as jobs were scarce across the entire economy. Given that investment in the telecommunications industry virtually stopped, all companies were forced to closely examine the productivity of their workforce. At the same time, the telcos (telecommunication companies) had to ensure they had sufficient cash flow for the necessary investment in infrastructure required to implement the latest telecommunications technology and remain competitive. With many of their colleagues let go, remaining workers in this industry were asked to work longer hours with tighter deadlines so that productivity would still increase. Thus, in the span of only a few years, the cultural environment of these corporations changed completely.

Those firms, who are able to cope most effectively with this incredible change, will gain the competitive advantage in this industry. It will be the corporations with the most flexible, adaptive and productive workforces who will be able to seize the technology and implement it faster and more cost effectively, leading to higher profit margins and a higher rate of success.

3 INTERNAL ANALYSIS

3.1 The Corporation

TELUS is the largest telecommunications carrier in Western Canada and the second largest in the nation. The company was born out of a merger between the two monopoly telecom carriers in British Columbia and Alberta (BC Telecom and TELUS), and operates as an incumbent local exchange carrier in these two provinces as well as Eastern Quebec. In all other areas of the country, TELUS operates as a competitive local exchange carrier. TELUS also functions as a nation-wide cellular carrier and has an international division to provide network-related services in foreign countries. The shaded area below in Figure 2 shows the TELUS network reach.

Figure 2: TELUS National Network Reach

By permission of Public Works and Government Services, 2005; Based on: TELUS, 2005

TELUS is a publicly traded company listed on the Toronto Stock Exchange and the New York Stock Exchange. It is the 24th largest company in Canada with an enterprise value of CDN

$19.6 billion. With over 26,500 employees, TELUS is an active participant in the community supporting numerous worthy charities and public events.

As the largest private sector employer in Western Canada, TELUS's workforce is composed of both union (bargaining unit) and non-union (management professional) employees. Bargaining unit (BU) employees belong to the Telecommunications Workers Union (TWU) and have been without a collective bargaining agreement since January 1st, 2001. The source of the conflict between the TWU and TELUS stems primarily from the fact that the union wishes to begin bargaining by using the existing expired contract as a starting point, whereas TELUS wishes to negotiate a brand new "settlement that considers the current economic climate and competitive marketplace, balances the needs of all employees and provides the flexibility to meet customer needs and increase [its] capacity for teamwork" (TELUS News Releases, 2002). Although labour laws preclude discussion of TELUS's specific desires here, normally an organization in this same position would be seeking as much flexibility as possible to react and compete effectively.

After several years without a contract, the corporate environment has become increasingly tense for the BU employees who feel that they are being treated unfairly and that the employer is not negotiating in good faith. As such there are continued threats of job action stemming from this labour dispute as the two sides continually debate the long overdue agreement. If members of the bargaining unit are unable to successfully negotiate their demands with respect to issues such as salary, shifts, and training, the union will be left with little choice but to use other means at its disposal in order to encourage a speedier resolution to its issues.

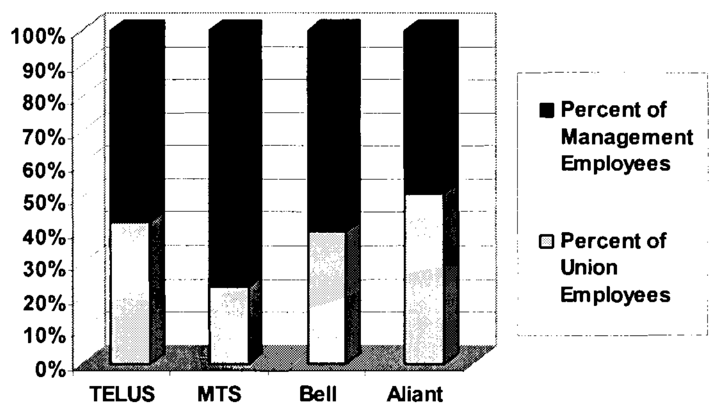
> *Our people have been incredibly patient and understanding even though they have been without a contract or a wage increase for five years. They realize that this situation is due to a combination of intransigence on the part of Telus*

and inaction on the part of the Canadian Industrial Relations Board.

(Hiebert, 2005)

Any job action such as a strike could have a major impact on TELUS. Aliant, the ILEC in Atlantic Canada recently went through a similar job action culminating in a five month long strike. After only three months into the strike, Aliant announced that it had lost $9 million in revenue with costs up $12 million, leading to a combined loss of $21 million (CBC News A, 2004). TELUS is approximately three times larger than Aliant in terms of both market capitalization and union membership, although Aliant has more union members as a percentage of its total workforce. Labour action of this kind by the TWU could lead to an estimated loss of $20 million per month for the corporation. It is critical for the future of the company that TELUS and the TWU come to a settlement.

Figure 3: Comparison of Union Members as a Percentage of the Total Workforce



Data source: Lee & Perkins, 2005[4]

Meanwhile, TELUS continues to pursue new ventures and expand its business through initiatives such as TELUS TV, the company's highly anticipated competitive response to cable

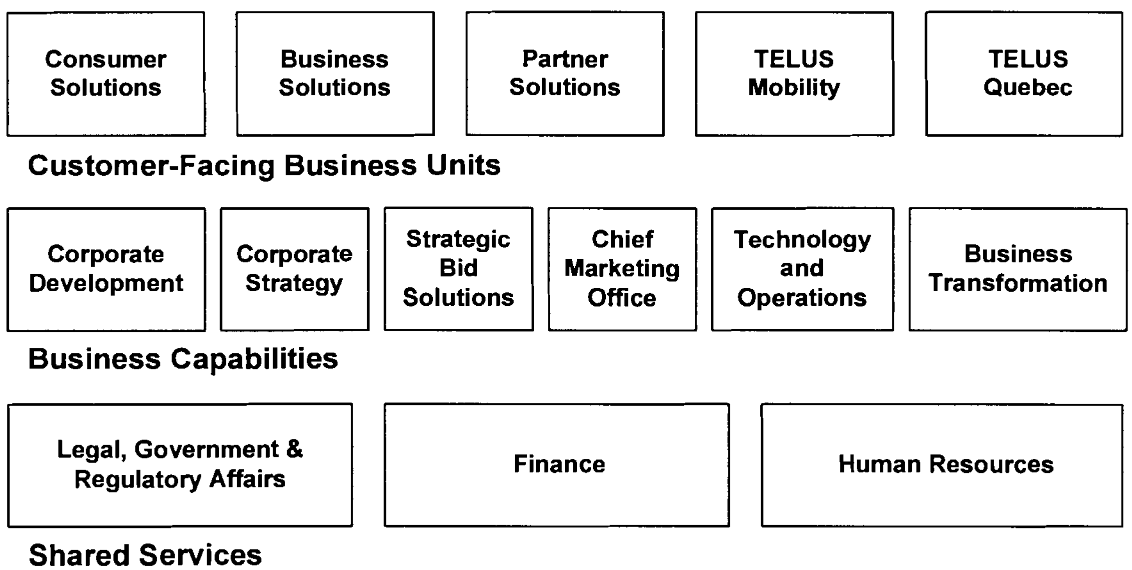
[4] Employee numbers obtained from the most recent annual reports of each of the identified telcos.

television, and consumer and business-oriented VoIP services. Recognizing that it is difficult to realize profits based on the provision of network access alone, TELUS supports a number of projects aimed at fostering innovation and developing ideas into practical solutions and services. For example, its latest consumer offering is the "future friendly home", which involves promoting integrated Internet access and Internet-enabled services in the home to create variety where the possibilities for entertainment, communications and information are concerned.

3.2 Organizational Structure

TELUS is structured primarily in a functional layout for standard operations, but supports a strong matrix format for projects. It currently consists of five customer-facing business units (CFBUs) and nine supporting business units (SBUs).

Figure 4: TELUS Organizational Structure



Based on: TELUS, 2005

The CFBUs shown in the first row of Figure 4, are structured according to the target customer segments. Consumer Solutions is focused on households and individuals while Business Solutions provides integrated communication and information technology to businesses in Canada. Partner Solutions provides network services for Canadian and global carriers into and within Canada. TELUS Mobility consists of the cellular network and provides wireless solutions for individuals and businesses. TELUS Quebec, the former QuébecTel Group acquired in 2001, focuses solely on the Quebec marketplace.

The SBUs consist of nine divisions including Technology and Operations. The eight other divisions support the CFBUs in the following ways. Corporate Development is responsible for championing the TELUS strategic imperative to partner, acquire and divest as necessary, to accelerate the firm's growth. Corporate Strategy is in charge of the evolution and integration of TELUS's business strategies by leading the company's business development drive, forecasting key trends, conducting new business and market assessments and identifying emerging opportunities for the company. Strategic Bid Solutions focuses on creating responses to proposals for large corporate-wide bids such as the 2010 Winter Olympic Games. The Chief Marketing Office is responsible for the development and execution of TELUS's national branding strategy and communications activities, and for co-ordinating overall marketing strategies and activities across the various TELUS business units. Business Transformation, which includes the IT department, supports key programs and projects that ensure TELUS has the business capabilities to deliver on its strategic imperatives. Legal, Government & Regulatory Affairs manages the corporation's relationships with all government, regulatory and public bodies, and also handles consumer and employee privacy matters and legal services. Finance and Human Resources perform the traditional functions as one might expect.

3.3 Technology and Operations Structure

With approximately 8,600 team members, Technology and Operations exists as the largest division of the company responsible for establishing the infrastructure necessary to support the development and delivery of integrated IP, data and voice services on a regional and national basis. This business unit also includes the chief technology officer role as well as the functions of service assurance and fulfilment, network management, planning and architecture development, network infrastructure provisioning, field operations, and operational logistical support areas. In the dynamic and fast-paced telecommunications industry, Technology and Operations must keep stride with the rapidly increasing demands to enable the company's competitiveness in the marketplace. The division is functionally structured into three internal lines of business:

1. Network: A large portion of T&O is concerned solely with the "network". It is structured around several fundamental network functions including:
   - Technological direction and priorities
   - Planning and engineering
   - Building, installation and repair
   - Assigning, designing and activations
   - Surveillance, technical support and trouble management
   - Other network support.
2. TELUS National Systems (TNS): TNS is concerned with customer premise services. It is structured around the key functions of designing, installing and maintaining a comprehensive portfolio of communications equipment and network offerings that address the data, voice, video and IP solutions of businesses across Canada.
3. Information Technology Infrastructure (ITI): ITI is focused on IT infrastructure and related services and support. It is best envisioned as supporting three core functions:
   - External IT customer support
   - Internal IT TELUS support
   - Shared IT services (service helpdesks, planning and architecture, project management, etc).

3.4 Organizational Strategy

TELUS's overall strategy is to "*exploit the convergence of data and Internet Protocol (IP) services, voice services, and wireless services to benefit our customers.*" The vision or TELUS's strategic intent is "*To unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move*" (TELUS, 2005).

This strategy has been in place since the arrival of the firm's current CEO, Darren Entwistle in 2000. To realize this strategic vision, TELUS is guided by six strategic imperatives (TELUS, 2005):

1. Building national capabilities across data, IP and wireless.

"Build national capabilities across data/IP, voice and mobility by leveraging the skills, resources and customer relationships in our home markets of Western Canada and Quebec. We will use these strategic advantages as a springboard to attack the business market in Central Canada."

2. Providing integrated solutions that differentiate TELUS from its competitors.

"Offer integrated solutions that anticipate and meet the evolving needs of our customers. Our solutions will exploit a highly fragmented marketplace where we face different competitors across a diverse set of products, markets and geographies."

3. Partnering, acquiring and divesting to accelerate the implementation of TELUS's strategy and focus TELUS's resources on core business.

"Partner, acquire and divest as necessary to accelerate the implementation of our strategy."

4. Focusing relentlessly on the growth markets of data, IP and wireless.

"Focus relentlessly on growth markets with the objective of building scale and differentiation by integrating our services into compelling solutions for our customers."

5. Going to market as one team, under a common brand, executing a single strategy.

"We are going to market as one team, under one brand. Our single identity in the market is essential to our approach of providing our customers with solutions rather than stand-alone products. This single identity contrasts well against the confusing corporate structures and brand proliferation inflicted upon customers by many of our competitors."

6. Investing in internal capabilities to build a high-performance culture and efficient operations.

"Invest in internal capabilities – most particularly our people. We will support and encourage their personal growth and development because we believe this is a fundamental right of every member of Team TELUS. The outstanding performance and extraordinary results of teams and individuals across TELUS will be rewarded through the most progressive recognition program in North American business."

The TELUS strategic imperatives are purposefully broad and provide an overall focus for the entire corporation while allowing each business unit the flexibility for interpretation. For a specific example, TELUS has focused heavily on promoting the TELUS brand, mentioned in the fifth strategic imperative. The company has done well with its advertising campaign of animals on pure white backgrounds. In 2003, Montreal-based Leger Marketing ranked awareness of the TELUS brand number one in Canada. Leger's independent report examined advertising for all products and services in Canada, and found in its survey of 1,500 Canadians that awareness of the TELUS brand beat even such heavyweights as McDonald's, Blockbuster and Bell Canada. Not only were TELUS ads rated highly where ease of recall was concerned, but the report also found that viewers were genuinely entertained and really liked them. Throughout 2003, TELUS was in the top five best-liked ads in Quebec, B.C. and Ontario (TELUS, 2004). The "likeability" of the TELUS ads has brought much needed brand awareness and pride to the employees of the company.

In terms of a general example on the strategic imperatives, over the last two years, TELUS focused a lot of energy on its bid to become the telecommunications provider for the Vancouver 2010 Winter Olympic Games. TELUS had been one of the primary sponsors in Vancouver's bid to be awarded the games by investing over $4 million. The company's loss of this bid in October 2004 to its main competitor, Bell Canada, was disappointing to all team members, but every employee was comfortable with the company's proposal and approach of not "winning at all costs". Bell Canada had bid over $65 million higher than TELUS (CBC News C, 2004). This sent a strong message to the employees and the shareholders that senior management had kept at the forefront the best interests of the company. This particular strategy may not be clearly defined in TELUS's six strategic imperatives but the objective of the imperatives is to characterize the firm's commitment to its stakeholders.

3.5 Technology and Operations Strategy

Like all divisions, Technology and Operations has stated objectives focused on the execution of the TELUS strategy and plays a pivotal role in not only the support but the growth into new areas and opportunities that benefit the business and its customers. Given TELUS's strategic intent is to *unleash the power of Internet technologies to deliver the best solutions for Canadians at home, in the workplace and on the move*, Technology and Operations has defined its strategic vision as *growing loyal customers through service delivery excellence*, with the strategic imperative of *bringing together talent and technology to deliver solutions to our customers* (TELUS, 2005). The execution of this strategic imperative is defined in the following four points:

1. Build, operate and maintain reliable national networks.
2. Provide leading technology and integrated solutions.
3. Improve productivity; reduce operating costs.
4. Be a passionate team working in concert to deliver the ultimate customer experience.

Technology and Operations is expected to deliver on this strategy through initiatives such as enabling large customer projects, meeting customer commitments, network modernization, proactive network assurance and overall network reliability. Table 1 showcases how the corporation's strategic imperatives are interpreted within T&O.

Table 1: T&O Strategic Initiatives Matched to the Enterprise Imperatives

Corporate Imperatives	T&O Strategic Initiatives
1. Offer Integrated Solutions	Leverage bundling opportunities from NGN[5] for integrated solutions and innovative IP-based services.
2. Build National Capabilities Across Data/IP, Voice and Mobility	Deliver an IP-based national infrastructure that is best in class in terms of network reliability, availability, scalability and performance and effectively balances legacy needs with next generation evolution.
3. Partner, Acquire, Divest as Necessary	Work with our vendors and partners to develop more cost effective solutions that reduce our capital expenditures and operating expenditures and also generate new revenue opportunities for TELUS.
4. Focus Relentlessly on Growth Markets	Leverage NGN to capture more advanced services market share and develop skills readiness for emerging markets and services.
5. Attack the Market as One Team	Effectively introduce new technology and services and create a differentiated brand in the marketplace, while balancing the demand from the CFBUs to the network capacity and resource capability of the factory.
6. Invest in Internal Capabilities	Improve operational efficiencies and productivity nationally while supporting our current workforce's technological / leadership / business skills readiness for the future.

Data source: TELUS, 2005

Clearly, the intended objective for Technology and Operations is to establish "best in class" capabilities and leverage these to accelerate further growth into both existing and uncharted territories. While one cannot ignore the technology component required in meeting and exceeding the expectations of the business and its customers, the real opportunities lie on the operations side. Despite a workforce consisting of a large number of unionized and aging employees with the average age exceeding 50 years, it is important to recognize that the real value within T&O lies in the untapped human potential.

[5] NGN is an acronym for Next Generation Networks, an industry term commonly used to refer to an IP-based, quality of service capable network that can handle voice, video and data traffic effectively and efficiently.

3.6 Organizational Culture

TELUS's corporate culture is centred on the four TELUS Value Statements, as outlined in Figure 5 below. The Values were designed to facilitate the transition from the way that TELUS currently provides quality products and services, to the way that the company must provide products and services in the future to meet and exceed customer needs. The four Values are posted and showcased throughout TELUS, from large stand-alone tablets in the building lobbies to posters in each meeting room and office, to stickers on the back of each team member's access card. As shown in Figure 5, there is a continuum of possible behaviour associated with each Value.

Figure 5: TELUS Value Statements

We embrace change and initiate opportunity
Basic: Convey optimistic confidence in meeting the challenges that face our business
Priority: Be aware of my ability to meet customers' needs by taking initiative and being flexible
Stretch: Be inclusive in my approach and help build an inspiring future for TELUS

We have a passion for growth
Basic: Be supportive, yet relentless and ethical in meeting the challenges that face our business
Priority: Be eager in learning to apply authentic knowledge and openness to grow
Stretch: Create a culture of continuous change, growth and transformation

We believe in spirited teamwork
Basic: Be respectful and dependable when communicating and working with others
Priority: Practice authentic appreciation and openness as a leader and team member
Stretch: Judiciously and strategically act for the greater good, despite personal risks

We have the courage to innovate
Basic: Efficiently deliver services and products based on understanding our customers
Priority: Initiate creative solutions, correcting errors along the way with spirited teamwork
Stretch: Work with others to provide innovation that betters the world around us

Data source: TELUS, 2005

Each employee's performance is measured twice a year against these Value Statements. Management Professionals (MPs) as well as BU members in Alberta have compensation bonuses at least partially dependent on how the employee exemplifies these Values. This is determined through a combination of objective and subjective ratings performed by the manager when engaging in bi-annual personal performance reviews (PPRs). As a result, the Values do provide direction with respect to the behaviours and attitudes expected by the corporation.

At the same time, however, the Values are broad and result in different interpretations throughout the organization. For example, in many areas, if an employee disagrees with the execution of a specific initiative, the disagreement may be looked upon by management as being resistant to change. In fact, the disagreement can actually be spirited teamwork and a push for change. The Values' openness to interpretation can be both a benefit and a detriment to employee behaviour.

Dorothy Leonard, a professor at the Harvard Business School, defines two kinds of values: generic (or big *V*) and knowledge-base-specific (or little *v*). Big *V*'s refer to attitudes and beliefs on how employees are expected to act towards each other and toward customers, while little *v*'s are associated with the types of knowledge or the way in which generic values are being put into operation (Leonard, 1995). One of the examples provided by Leonard refers to Cross Corporation, the maker of fine writing instruments. Quality has always been associated with the company name, and thus is a big *V* at Cross. In the 1940's the company owner gave the factory floor operators the right to personally reject any pen that was visually flawed, even if the imperfection was tiny and did not affect performance. Over the years, as more sophisticated equipment allowed the identification of even more microscopic flaws, the factory floor operators continued to reject writing instruments that were not "perfect" in their eyes, to the point of obsession. By the early 1990's, Cross managers realized that quality needed to be defined in the eyes of the consumer rather than the producer, and were surprised to find that consumers did not visually inspect the pen when they removed it from the box, but hefted it, felt its surface and checked its function. Consumers were not concerned about minute variations in surface colour or finish. As a result, Cross managers set about re-educating the employees about how quality should be defined. Many of the Cross employees protested vehemently as they were now being told that mechanical functionality was more critical than appearance, and thus felt that quality was being sacrificed. In fact, Cross was simply changing the little *v* or the way that quality was defined and being put into operation. The big *V* had not changed. To change behaviour, the two *v*'s had to be separated in the minds of employees (Leonard, 1995).

Leonard (1995, p. 25) argues that "Big *V*'s contribute mightily to corporate culture and some authors have argued that such strong cultures in and of themselves can be competitive advantages". The four stated TELUS Values are big *V*'s. When an employee disagrees with a specific initiative because he is pushing for change with a passion for growth, but this action is being interpreted by the manager as being argumentative and resistant to change, the manager is confusing the two *v*'s. For the TELUS Values to assist in growing the TELUS culture to competitive advantage, all team members at TELUS need to understand the difference between the two *v*'s.

TELUS states that corporate culture is its competitive advantage in the "new economy". It will be a growth company with a high-performance culture that is fast, flexible and empowered (TELUS, 2005). In order to create a high-performance culture, Human Resources attempts to align individual performance objectives with corporate strategy through a corporate balanced scorecard, letters of expectations, and personal performance objectives. How an employee exemplifies the TELUS Values is one measurement within the team member's personal performance objectives. The corporate balanced scorecard metrics are linked directly to the six strategic imperatives; thus, the purpose of the scorecard is to define whether or not TELUS is on the right track to fulfilling its strategic imperatives.

The employee variable pay or bonus awarded bi-annually is based on this scorecard in combination with a measure of how well an employee meets their letter of expectation along with performance objectives. However, as stated earlier, only MPs and BU members in Alberta are entitled to compensation bonuses. As a result, TELUS struggles to find ways to motivate the majority of BU members to follow the Values and participate in the evolution of a high-performance culture.

An important barrier to the adoption of variable compensation schemes is resistance within the union. Some BU members believe that the existing compensation structure, as outlined in the expired collective agreement, is adequate and these BU members point to the firm's recent financial performance as proof. For example, a posting on "Voices for Change", a web-based forum for telecommunications workers, argues the following:

> *Meanwhile, the company continues to hold the position that the TWU collective agreement, which the TWU maintains must be the starting point for a revised collective agreement, is a hindrance to productivity and their ability to compete. However, TELUS's performance indicates it is not a hindrance to the company's profitability as it continues to increase both profit and free cash flow quarter after quarter.*
>
> (Unknown A, 2005)

The lack of a contract for BU team members has also made it difficult to provide incentives to this group. The following quote reveals how clearly opposed the union is to performance initiatives such as the customized career development plans (CCDP), personal performance objectives (PPO), and personal performance reviews (PPR) as stated by then union president Rod Hiebert.

> *He said changes to performance reviews – specifically, the introduction of personal development objectives – has proven to be stressful for employees and has eroded productivity. "You tell people we want to know your personal development plans and, with the downsizing, you're telling them you don't want them any more. You*

want them to quit. People are really stressed out. People are crying on the job. It's kind of a mess out there. We have a lot of angry people. Morale has decreased very badly."

(Unknown B, referring to Hiebert, 2002)

3.7 Technology and Operations Culture

Entwistle brought in an expensive and stress-inducing industrial-relations campaign designed to change the Telus 'culture'...

(Bell quoting Hiebert, 2003)

Technology and Operations, has the highest ratio of unionized to management professional staff as 68% of T&O team members are involved in the TWU. This means almost 6,000 bargaining unit members in T&O and over 11,000 throughout TELUS are unionized. With competitors MTS and Aliant having 780 and 4,300 members respectively and even the largest telecommunications company in Canada, Bell, having only 7,100 this presents a formidable challenge for TELUS.

Technology and Operations plays a critical role in TELUS's ability to execute on its strategic intent. With its many divisions and large number of BU employees, T&O has the greatest number of challenges and "tensions" which can hamper the parent corporation's ability to successfully deliver. The Values Statements provide guidance but are difficult to enforce when the firm's only existing incentive is monetary. Uncertainty still exists as to what actions management can perform in order to stimulate all employees towards a change in culture and thus assist in the successful execution of strategy.

In a recent internal presentation by the Executive Vice President of T&O, Joe Grech (2005), the business unit's culture in 2005 must have the following characteristics:

1. Business mindset enabling success
2. Accepting accountability as a team
3. Seeing ahead to the end-state of our actions
4. Leverage successful crisis behaviours:

   Focus
   Purpose
   Clarity of plan
   Sense of priority
   Communication
   Known success factors
   Recognition

These statements echo previous ones. Employees of this business unit have always exemplified such characteristics. In order to actually execute on TELUS strategy, a different approach, involving significant change to employee values and beliefs, may be required for T&O in order to remain competitive and successful through periods of change.

3.8 Record in Achieving Financial Objectives

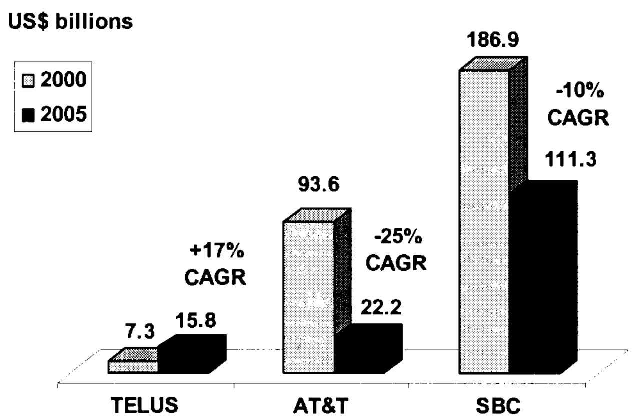
Since 2000, TELUS has executed a consistent strategy that has led to impressive financial results year over year (Entwistle, 2005):

- Enterprise value of C$19.6B vs. $10.5B in 2000
- Daily trading of 1.5M shares vs. 500,000 in 2000
- 17% CAGR from 2000 to 2005, as compared to AT&T and SBC which had negative CAGRs of (25%) and (10%) respectively
- EBITDA for the Mobility business unit estimated at $1.4 billion versus $173 million in 2000
- Estimated free cash flow of $1.25 billion versus negative ($1.4) billion in 2001.

These results are notable given that financial performance in 2000 was inflated due to the dot-com bubble that occurred until March 10, 2000. The consequences of the dot-com bust did not take full effect until 2001.

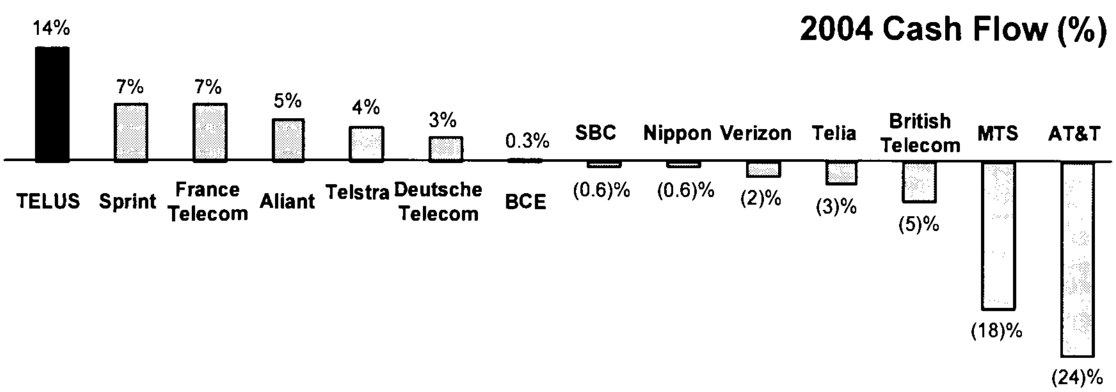
The following graphs depict the financial success of TELUS over the recent years. Cumulative average growth rate, cash flow and EBITDA are compared against national and international telecommunications providers. From 2003 to 2004, TELUS was the leader in the global telecommunications industry in terms of cash flow and EBITDA growth.

Figure 6: Cumulative Average Growth Rate Comparison



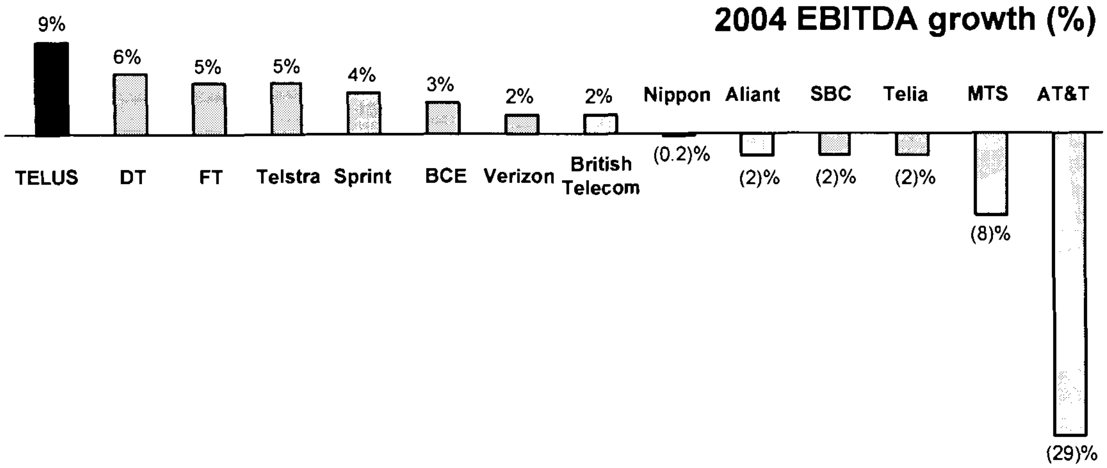
Data source: Lee & Perkins, 2005

Figure 7: TELUS 2004 Cash Flow Growth Compared to Global Competitors



Data source: Lee & Perkins, 2005

Figure 8: TELUS 2004 EBITDA Growth Compared to Competitors



Data source: Lee & Perkins, 2005

From an external viewpoint, the company is financially successful with its strategy in comparison to other large telecommunications providers. However, internally, the company has faced challenges. During the period from 2000 to 2004, the organization reduced its workforce through early retirement and layoff packages by over 7,000 employees. As well, the collective agreement with the TWU remains unsettled even though this has been on Darren Entwistle's publicly stated corporate priority list every year since 2000. There is value in seeing this debate draw to a close; until the contract is settled unionized employees continue to operate under the previous agreement. The existing contract unnecessarily restricts the organization's flexibility with respect to what employees may do what work and when. In any case, from all appearances, the company has been engaged with an economic value driven change as opposed to an organizational capability change.

Michael Beer, professor of Business Administration at the Harvard Business School, suggests that economic change is not in itself sufficient to create a sustained, high-performing organization. Instead, he suggests that there are two methods to create a high-performance culture, with the first being through "tough results-driven action such as reorganization, restructuring, financial incentives, lay-offs and top-down initiatives". The second method is "to focus on meaningful purpose, a strong culture, involvement rather than financial incentives as motivators, and a few consultants helping managers learn rather than an army of consultant who help those at the top drive technical solutions into the organization" (Beer, 2001, p. 233). The first method is described as economic value driven, whereas the second method is called an organizational capability change. Beer argues that the optimal way to create an organization capable of *sustained* high-performance is to integrate both methods concurrently. If organizations only implement one of the methods, the desired results are either temporary or never come to fruition.

It appears that over the last few years, the objectives that senior management at TELUS have been focused on are primarily financial. This concentration on an economic driven change is not sustainable and it can be argued "that these measures are at best inadequate and at worst destroy human commitment and a capability to learn" (Beer, 2001, p. 233). This is the challenge that TELUS faces – changing its focus from primarily an economic value driven methodology to one which incorporates organizational capability.

3.9 Employees

The employee base of TELUS is composed primarily of a large unionized workforce of approximately 11,400 staff. In addition, there are several thousand more employees classified as Management Professionals; these employees are hired for select positions and skill sets that fall outside the union's domain. Finally, there are the front line and middle managers, directors, VPs, executive VPs, and Darren Entwistle, president and CEO.

Despite several rounds of cuts in recent years the net number of employees has still increased due to acquired companies and new ventures in non-ILEC territories. With the widely debated Clearnet acquisition and TELUS Québec, the company has a diverse array of experience and knowledge at its disposal that it can draw from and build upon. Indeed, the TELUS advertising and branding campaign which has been rated as one of the best in Canada was one of the assets inherited through the purchase of Clearnet.

Meanwhile, as a result of dealings in 2004, various contractors within TELUS were all but phased out near the end of the year in favour of Accenture employees. This move was a strategic attempt to leverage the other company's consulting and technology expertise within the firm while ensuring a reciprocal relationship whereby TELUS is the preferred partner for network infrastructure on any large consulting deals with which Accenture acts as the thin integrator. The Accenture contractors are primarily providing information systems support, and are not working in any of the customer-facing business units; however, a few of the Accenture contractors have the power and influence to make strategic decisions which will have long-term impacts to the firm.

Even more recently in last few months, TELUS has stretched international boundaries and widened its footprint on other continents as it partners with, for example, a call centre business in the Philippines. This is an interesting move as TELUS recently repatriated its previously outsourced technical support to call centre operations in TELUS Québec's solutions de soutien.

3.10 Union

The TWU has a long history with TELUS. Formed in 1949, the TWU has been supporting TELUS's many unionized employees while the industry undergoes considerable change. Crediting themselves with "build[ing] solid collective agreements that promote fair wages and just and equitable treatment for all", the TWU represents its members at the bargaining table opposite TELUS when negotiating contracts (TWU, 2005).

The TWU plays a very important role in influencing the culture of TELUS employees. The union imposes a number of guidelines to which the company must adhere as the union believes that if the company were permitted to run unsupervised, employees' rights would suffer. This obviously has an enduring impact on employees who feel obligated to follow the union agreement and report any infractions. Resistance from the union takes a variety of forms including challenging important corporate strategic decisions such as the Clearnet purchase (Robb, 2002). These challenges have continued along with more personal accusations to the extent that TELUS was finally driven to launch a lawsuit against Hiebert, former TWU president, and another union official, citing "conspiracy to maliciously and unlawfully damage the business, reputation, trade name and value of Telus" (Bell, 2003).

One of the ways that the union exerts its influence is through enforcement of seniority over other considerations when an employee is hired for a particular role. Skill set and experience relevant to the position are treated as less important. In this manner, it is often difficult to hire the most qualified individual for the role rather than the person who has the most years accrued in the company. The accompanying mentality is most often along the lines of "anyone can learn" or "anyone can be trained."

Performance-based rewards are frowned upon if not forbidden under union rules as are quotas of any kind. This means that metrics in the form of key performance indicators (KPIs) must be reported on carefully so as not to publicly expose one employee as outperforming or underperforming another. Those that consistently exceed the average are usually less popular than others who "do their part." Job security seems to be the underlying theme but quality and customer service are often suggested as motivating factors for not observing recent company set targets[6]. Guptara suggests that forms of resistance including "reduc[ing] contributions to the

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[6] As drawn from the author's personal experience as an employee at TELUS.

minimum acceptable level" are frequently the result of conflicting attitudes with respect to power between the corporation and employees (Guptara, 1993, p. 6).

Likewise, automation is discouraged often for the same reasons. Finding new, improved or easier ways of doing things – also receiving assistance from non-unionized employees – can be cause for resistance and possibly formal grievance. As competition grows increasingly fierce, there is an escalating need for efficiency and heightened output. The union's typical answer of horizontal scaling[7] of employees cannot be the solution. It is only reasonable that technology and systems will offer the ability to reach more aggressive service levels and enhance the firm's ability to compete more effectively in the industry.

> *The Telecommunications Workers Union believes that downsizing at Telus is bad for shareholders, bad for customers, and bad for the employees who are left after the carnage and who will be forced to try and do more with less. There is no legitimate reason to downsize the workforce at Telus.*
>
> (Shniad, 2002)

It is not surprising that the official adversarial position of the union fosters an unhealthy climate where tension is noticeably present. This climate is only exacerbated by the ongoing absence of a contract. The resulting effect on attitude and beliefs is as expected; frustration and disappointment are eventually manifested as desperation and anger by the union employees towards upper management. This is hardly conducive to a positive and healthy work environment.

In terms of the work environment, it is certainly much improved from the harsh and dangerous conditions that may have existed in the past and warranted involvement from a group

[7] Referring to the practice of simply hiring more employees to take on more work in a linear fashion rather than seek efficiencies from automation and enhancing human performance

that aims to represent and stand up for the employees. However, in the high tech sector, even following the dot-com bust, skilled employees are still in enough demand that employees have options to work elsewhere and have no reason to believe that they will be unfairly treated or routinely discriminated against. There is irony in the fact that it is the union that reinforces the fear that the company is out to exploit the employee and encourages distrust, when it is unclear what the company has done to deserve this.

This aging notion and the attitudes and beliefs it gives rise to become obstacles in the way of building a truly high-performing culture. As a result, attempts to infuse the corporate culture with compensation such as profit sharing have been met with limited enthusiasm. The most damaging result of TELUS's inability to successfully motivate the unionized workforce and bolster a performance-oriented culture is a decreased ability to compete in the intensely competitive telecommunications industry.

Until this handicap can be overcome, TELUS may be unable to realize its full potential in the marketplace. The draining effect of years without a contract and looming job action summons feelings of apathy which have an infectious ability to spread throughout the workforce. Once the outstanding contract is agreed upon – even if the much talked about strikes and lockouts can be avoided – there will likely be a period of resentment following which will further delay the organization's ability to transform into a high-performance culture.

In many ways the lack of a union contract has lasting effects which neither the employees nor the company can overlook; yet both are expected to continue to work through the difficult times. The effect is also felt by the TELUS customers as well who, while initially sympathetic, have demonstrated a rising trend of impatience over recent years with the frequency and duration of potential job action by various groups. This may lead to costly customer churn which further hurts the company, the employees, and the shareholders.

The leading reason why it is so necessary that other areas of the business such as TELUS Québec and TELUS Mobility remain isolated from the contagious effects of the union's cycles of discontent is to retain the flexibility to maximize competitiveness. This is why TELUS is constantly fighting the TWU's claims that employees operating in the CLEC regions and performing similar job tasks should be unionized.

3.11 Employee Skills and Morale

Not every BU employee has fully bought into the union mentality. On the other hand there are those that are fiercely committed to upholding the union values. The balance of employees lie somewhere in between, with most simply wanting to be treated fairly and, at the end of the day, feel satisfied with a job well done.

Having the right skills and training to do the job is naturally a large part of employee confidence and satisfaction. Access to tools and other resources is equally important. These represent some of the most often expressed concerns in T&O. Despite two thousand dollars being budgeted on average for each employee, many employees especially the BU members feel that the dollars are either not spent in the right areas or are otherwise insufficient. In a recent survey conducted on an external site, 63% of employees who responded were displeased with the training they had received from TELUS (Unknown C, 2005). Similarly, in a related poll that questioned whether employees felt adequately trained to perform their job function, 47% of employees responded by selecting "No money" as the reason they had to decline, while another 37% claimed courses were not available (Unknown D, 2005).

With the ongoing contract dispute, some employees are forced into an awkward position. The conflict arises from the desire on the one hand to support the union and respond to the TWU's demands for a strong strike vote to confer additional bargaining power. On the other hand there is a strong desire to avoid any unpleasantness that will result from any job action such as a strike or work stoppage that in the end will benefit none. As time passes, an increasing number of employees simply want to see the matter resolved and some are growing increasingly desperate as they become more convinced that no progress will be made until job action takes place. Still, there seems to be cautious optimism as many team members still believe that as long as no strike or lockout occurs, negotiation is still an option. However, these same members may be forced to the picket line, by nature of the affirmative strike vote they may have previously signed only to show support towards the union.

Additional complications may result from the perception that, should no job action occur, the union's demands were too few and some points were conceded upon or sacrificed that otherwise could have been won. This "catch-22" discourages a peaceful end to the negotiations as both sides, rather than seeking a mutually beneficial arrangement, seek to gain the upper hand and 'win' – even if in the end, both sides lose out.

Quality of work life cannot be discussed without appreciating the context. TELUS, a century-old telecommunications company, has seen the dot-com age come and go like many other events throughout its history. TELUS now finds itself deep in the competition trenches seeking to differentiate itself in a variety of ways. As such, the employees are witnessing a transformation from a once relaxed work environment to an increasingly more competitive arena where costs are strictly regulated and efficiencies heavily enforced. With an average age over 50, much of the workforce has been present through these very different times where now the mantra is, more than ever, "How can we do more with less?" Productivity has become vital in surviving these times where companies must either "compete or be beat." All the while, technology threatens to offer increasingly more invasive ways of assessing individual performance as service levels, for example, are proven to be critical to customer satisfaction and retention.

Initiatives aimed at increasing efficiency often have the expected response where stress levels in the work environment are concerned and, except in the most positive and high performing, incentive driven centres, employee satisfaction and attitudes as they are adversely affected. This is often evident in the bi-annual Pulsecheck survey which is issued with the expectation that all employees respond. When team members are surveyed about the quality of work life and the extent to which they feel appropriately motivated, Pulsecheck results reveal only moderate gains where attempts to boost employee morale are concerned. Furthermore, the ongoing disputes over the contract with the union and the inability to come to an agreement are a constant drain on resources and a source of frustration for all. At times this struggle has become highly emotional and for many, a very personal issue that evokes feelings of under-appreciation, disrespect, and other negative responses.

For many of the employees affected in this way, it is hard to accept the company as sincere in their desire to maintain high levels of employee satisfaction and morale when the most obvious component, a signed contract, cannot be arrived upon. Often feeling as if they have been treated unfairly, the employees begin to question even those aspects of the company with which they were previously content. In one very public display internal to TELUS, an employee clearly upset with the non-existent increase to take-home pay given the lack of a new contract, posted his most recent pay stub on the office bulletin board alongside one from nearly ten years prior, simply to express his point[8]. Although there were minor increases in the benefits and base pay these increases were inconsequential when measured with the respective tax and other deductions on the gross amount. The effects of this kind of treatment and behaviour are contagious as they spread within and across teams, lowering the collective optimism and enthusiasm for one's role.

Base pay in many cases is below industry standards. The average Telecommunications Analyst II as listed on Monster.ca's Salary Wizard earns between $54,000 and $78,000. A

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[8] As drawn from the author's personal experience as an employee at TELUS.

similar position, if filled within TELUS, would earn up to a maximum of $60,000 excluding overtime.

3.12 Recent Downsizings

Over the last four years TELUS has experienced several rounds of management layoffs in combination with a very aggressive and successful Early Retirement Incentive Program (ERIP) or voluntary departure program aimed at those eligible for early retirement. Without eliminating the need for entire teams, these types of packages are often the only way to downsize divisions composed of bargaining unit employees; on the other hand, management employees may be given notice at any time.

The lack of a contract for unionized employees has complicated the voluntary departure programs over the recent years. As the company must plan for the very real possibility of job action ranging from rotating work stoppages to a full strike situation, there is the necessity to retain a sufficient number of non-union employees in order to be able to run the company in such a situation. It is thus anticipated that once an agreement with the union is signed, there may be a layoff of management employees. After all, the threat of job action has been looming for four years and under such circumstances it is necessary to maintain a cushion of management employees when leading up to a possible labour dispute to mitigate the risk to the company. Just the same, TELUS is leaner than ever in terms of the number of employees when one considers the number of customers and the volume of new services being introduced.

Similarly, on the union side, there is expected to be a large number of union members retiring regardless of whether there is a job action, once they receive their retroactive pay upon the completion of a contract. Meanwhile, there lies a very realistic possibility that many positions previously deemed management functions will be transitioned to the union following the end of the labour dispute. Because there exists an exclusivity rule with respect to roles, job functions and work classified as falling under the jurisdiction of the union, this work must only be performed by unionized employees. So in any instance where management professionals and unionized employees share similar work functions, following the settlement of the agreement, it is expected that these roles will necessarily be surrendered to the union and the management professionals who previously filled these positions may be offered the option to join the union.

3.13 Recognition/Rewards Systems

In order to foster a high-performance culture within TELUS, a number of different systems have been put in place. For instance, many programs have been initiated with the responses to the Pulsecheck survey in mind; this is testimony to the claim that the organization takes this corporate survey seriously. For example, one group of questions in the Pulsecheck is specifically aimed at determining whether there were any perceived changes (both positive and negative) since the previous survey.

The standard methods of recognition exist and are encouraged; nominal amounts are allocated per employee per month for recognition and rewards and managers are encouraged regularly to recognize achievements of individuals both privately and publicly in meetings and other forums. There are more formal methods of recognition where commendations, referred to as “mentions in dispatch”, are communicated up to the VP level and higher. As well, in Entwistle's weekly "e.Letter" there is a spot reserved for recognition of those who go above and beyond.

Team Machine also exists as the official corporate recognition system where employees may accrue points towards the purchase of items. Employees may nominate each other to receive awards of different denominations by choosing from “Igniter”, “Accelerator”, and “Turbo Charger” awards. Recipients of Turbo Charger awards may also be nominated and considered for the Pace Setter Award. Individual and team recipients of this prize are invited to attend a quarterly cocktail party with attendance by executive VPs. Within the Team Machine system there is also a process for awarding Anniversary and Retirement gifts where recipients may choose from a variety of merchandise or elect to instead receive points to be credited to their account.

In addition to these existing systems, management professionals as well as all employees in Alberta receive bi-annual variable pay as compensation and this, at least for the management professionals, is tied to balanced scorecard results and takes into consideration the achievements of the business as a whole, the department or division the employee falls within, and the degree to which that employee met individual performance targets as well. Although the intent is to include them in a profit-sharing type program such as this, union employees in British Columbia have been excluded while contract negotiations still remain underway.

A variety of other benefits exist such as the employee share purchase program, which is heavily subsidized by TELUS, and a number of other life balance and other accounts aimed at encouraging not only a high-performance culture but also a healthy one. In terms of the employee share purchase plan, the company will match 40% of contributions. For TELUS employees who have participated since 2001, at the end of 2004 the three year return was a phenomenal 127%. To encourage a healthy working environment, team managers are given some flexibility with respect to the organization of team building events and get-togethers; anything from food days to "recognition" weeks for the team are budgeted.

Despite a variety of incentives and reward programs, it seems reasonable that these programs would be more successful if contract disputes were settled. Otherwise the programs may backfire, criticized as meaning little in comparison with the greater goal of having an employee contract in place. Were all things equal in terms of no ongoing conflicts, TELUS may very well be regarded as a leader in providing incentives and rewards for employees.

3.14 Training Programs

At the organization level, TELUS has always advocated taking education and training very seriously. This is to be distinguished from the opinions of the employees who may share a different position as to the sincerity of this decree. Naturally, as the industry becomes even more competitive there is a struggle to find time for employees to spend the same amount of time honing existing skills and acquiring new ones than in the past. As a general rule, TELUS allocates approximately two thousand training dollars per employee per year. In addition there is access to a wealth of computer-based or e.Learning courses that are funded by the company. Some of these courses are focused specifically on TELUS such as e.Ethics and safety or policy related courses while others are provided through external vendors such as NetG, Skillsoft, and Cisco as they offer their technology-based courses. In many cases, the online course catalogue is organized into groupings of courses tailored for particular career paths. As an example of the lengths at which TELUS will go to prioritize continuous improvement, the TELUS Education Centre exists as yet another educational outlet for employees. Many of the courses offered at the Education Centre are more "hands on" and may not be as effectively communicated solely in a computer-based training scenario.

Throughout the year, there is a constant focus on continuous improvement with the e.Performance system that TELUS has in place. Each employee has a Customized Career Development Plan (CCDP) along with Personal Performance Objectives (PPO), and sits down with his or her manager for bi-annual PPRs. The message is clear from the executive level – courses and training as outlined and approved in the employee development plan should not be compromised without solid justification. To complement this training, certifications are treated with respect and there are mentoring opportunities, cross-training, and apprenticeship programs available.

Indeed, one of the main reasons why applicants look to TELUS is for the opportunities where training and education are concerned[9]. Just the same, in an increasingly competitive environment where performance and efficiencies are vital, continuing to find time to provide for and ensure employees receive adequate training is becoming more complicated. Despite being recognized as critical to the future success of TELUS and its ability to execute on strategy, training is another area that continues to be threatened when cost cutting measures are needed.

3.15 Recent Organizational Changes

Since the merger of BCTEL and TELUS in 1999, there has been a continual wave of change throughout the organization. As with every merger, synergies are expected so early retirement packages and layoffs occurred as supporting units such as Finance and Human Resources were consolidated. The biggest result of this movement by employees was the change in mentality; the days of working at this company from school graduation to retirement were over.

The changes continued as a new leadership team resulted from the merger and only nine months later this changed yet again when the new CEO of the merged company, George Petty, disagreed with the Board and resigned. A number of top executives loyal to Petty then followed, leaving the company with the Chairman of the Board acting as the interim CEO while the hunt for a new CEO occurred. Ten months later on July 10, 2000, current CEO, Darren Entwistle took on the role of leading the company.

Entwistle continued the challenge of merging the two companies while beginning an acquisition spree which included the high-profile purchase of Clearnet for CDN $6.6 billion, Columbus Group Communications, Daedalian eSolutions, Arqana Technologies, Williams Communication, and PSINet Canada. These acquisitions resulted in TELUS gaining over 3,300

[9] As drawn from the author's personal conversations and experience as an employee at TELUS.

new employees. It was a culture shock for the employees of the acquired companies and TELUS during the initial integration and it continues to be challenging for pockets of these groups to work with other related areas within TELUS. The employees from the acquired companies are generally more entrepreneurial and unorthodox with processes and documentation, which is the opposite of how BCTEL and TELUS operated in their former monopoly environments.

In 2002, Entwistle initiated the Operational Efficiency Program (OEP) which resulted in 6,500 workers being laid off. The loss of so many employees was difficult for all team members both professionally and personally, especially as many of those laid off were long-time, dedicated and loyal friends who were shocked and upset at being forced to leave the company. Those team members who remained began questioning their tenure while being asked to take on additional duties or at the very least increase productivity.

As part of the OEP, the consolidation of departments within various business units occurred. To reduce travel within a department, it was mandated that certain teams be consolidated within a single city. This meant that many people were forced to move to another city to keep their existing positions or risk losing employment. This mandate seemed somewhat contradictory given TELUS's commitment to technology and helping customers to transcend previous limitations of geographic proximity. Also, the fact that TELUS was positioning itself as a national company made it essential that national standards were defined and implemented; the easiest and most effective method to standardize is to have the appropriate team members be face-to-face and easily accessible to all groups nationally. In other words, becoming a national company requires that TELUS have teams of people who are located in various cities across the country. The consolidation of departments to a single city has certainly reduced travel for some, but has also resulted in an increased amount of travel for others.

Throughout the last few years, a number of reorganizations have occurred throughout the firm. There are six to seven levels of hierarchy within TELUS. Beginning at the bottom of the chain of command, there is a management professional or bargaining unit team member who reports to a first line manager who then reports to either a second line manager or a director. A director reports to a vice president who reports to an executive vice president and finally the president and CEO of TELUS sits at the top of the hierarchy. During these restructurings, directors and vice presidents are constantly being shuffled to different divisions or being let go from the organization. More often than not, new directors and vice presidents are being hired externally and generally from industries outside of telecom. This constant change in management confuses lower level employees and the strategic vision appears to vary with each modification in upper management. The recent hiring of upper level managers with no prior telecom experience has been discouraging to employees who feel that these new hires often do not understand the telecom world and are making ill-informed decisions with lasting impacts. Often employees do not appreciate that the positive aspect to hiring externally is the fresh perspective and new ideas that the manager can bring will eventually make the workplace better.

One of the results of these sweeping organizational changes has been the hesitancy of many long-term employees to celebrate their number of years working at TELUS. This used to be a cause for celebration but these employees are sometimes "scared" to indicate this as the perceived mentality from upper management is that these employees are less able and willing to change, and thus are more disposable. In general, over the last few years many employees have been operating in a culture of fear. People are afraid to speak up against various initiatives, especially additions or modifications to their roles, as this is deemed contrary to the TELUS Value of embracing change (Askin, 2002). If an employee speaks out too often about things, even if the employee is correct but of a different point of view, the employee risks being labelled permanently as "negative". It is extremely difficult to have strong communication and effective teamwork in this type of negatively reinforcing environment.

As previously indicated, the potential for a strike or work stoppage has been looming over the firm since January 1, 2000 when the last contract for BU team members expired. As a result, over the last few years the company has spent millions on an action plan should a work stoppage occur, including taking employees out of their regular job cycles and sending them all over North America to be trained on legacy systems for weeks at a time. This has disrupted regular workflow and impacted the rollout of many projects. This potential strike has been stressful for both BU and MP employees and has also resulted in vacation embargos which affect the personal lives of the employees.

3.16 Core Competencies

One might suggest that TELUS's core capabilities lie in its ability to provide bundled services easily and affordably to anyone from students, seniors, and families to small businesses and larger corporations. Indeed, this is in alignment with the strategic intent as stated by Entwistle: "to unleash the power of Internet technologies to deliver the best solutions for Canadians at home, in the workplace and on the move." Also regularly expressed throughout TELUS is that it is the employees that truly set the company apart from the competition.

Either way, these kinds of value statements provide useful clues as to what is ultimately of importance to the business such that it will not be compromised. Core competencies should persist over time, evolving and developing to provide ongoing competitive advantage. Otherwise there remains the risk that these competencies that previously offered value may in fact be detrimental to the organization, instead becoming core rigidities (Leonard, 1995). This is true to the extent that areas of excellence may become stagnant and hardened – unnecessarily restricting or limiting an organization's field of view and suppressing new ideas and new ways of doing things or encouraging inactivity.

Leonard further describes four primary dimensions which characterize a firm's core capabilities. These include employee knowledge and skills, physical technical systems, managerial systems, and values and norms (Leonard, 1995).

3.16.1 Employee Knowledge and Skill

Having witnessed the dawn of telecommunications in Western Canada, TELUS has been involved with a myriad of different technologies enabling the evolution from dial tone in the early days to high-speed Internet more recently and beyond. Through it all, TELUS employees have met the constant demand for updated skills and knowledge by gaining experience on the job and through training.

However, the ever increasing demands stimulating the recent rapid technology growth show no signs of slowing and so the workforce must be prepared to meet the onslaught of new projects and platforms headed its way. Facing a marketplace that is more competitive than ever, it is uncertain at this point whether a regimen of courses and other education will be enough. True, computer-based training including simulations and training on CD as well as e.Learning courses offered via the Internet have made delivery much more convenient for employers and employees alike; however, it nevertheless remains highly challenging to promote education with any consistency when at the same time supervisors are looking to further improve efficiencies and find ways to recover minutes out of the employee's workday.

Meanwhile, an aging employee base combined with employee churn makes it difficult to ensure the workforce has the requisite skill sets at all times. Employees close to retirement may be less inclined or motivated to learn new skills as would new hires. Having a primarily unionized workforce also means that employees are routinely placed in positions based on seniority rather than based on having the skills to do the job. Not being able to freely choose who is the most appropriate for the role is a regular source of frustration for managers faced with the increasingly challenging task of "doing more with less."

Depending to some extent on how the collective agreement between the union and management turns out, we suspect that there may also be layoffs as any perceived excess in employees is trimmed given that there is no longer the need to keep a cushion of managers to mitigate the risk of a strike. With this sudden decrease in headcount, a vast amount of knowledge and experience – some of it legacy but almost all of it valuable – will leave the organization. Much of this represents the tacit knowledge that is often taken for granted and rarely documented. Unfortunately, a good portion of the knowledge and experience that stands to be lost is that which is firm-specific and most likely to offer advantage over the competition. In order to replicate advantages tied to this kind of knowledge competitors are often required to "poach" individuals from their positions in the existing companies.

At TELUS, there is no one unified or organized effort to codify the knowledge retained by employees. Though online courses abound, often the content is selected based on which topics are most easily and effectively conveyed via the medium rather than the risk of not having the information available. Only recently was an e.Security course released aimed at raising employee awareness of the importance of adhering to policies regarding the disclosure of information. On the other hand, much simpler tasks such as entering time have been codified long ago into e.Learning courses. In addition, the organization does not presently benefit from a centralized knowledge management system or any widespread, conscious effort to share experiences outside of job shadowing, mentorship, and apprenticeship/journeyman programs.

3.16.2 Physical Technical Systems

Most departments to date have identified the need for knowledge management or knowledge repository systems and have adopted their own approach by building and implementing whatever system they can to manage the knowledge relevant to their area. As a result, TELUS has hundreds of different, more dynamic document repositories complementing its officially sanctioned corporate intranet. Any system implemented with the intent of consolidating even some of these into a single site then needs to spend the time and effort associated with porting this data over to the new location and format. Another consequence of introducing new, more standardized and scalable ways of organizing this information is that areas of the company invariably conclude that it is simpler, easier, cheaper and faster to maintain the old way of thinking and continue to use a different system instead. In doing this, employees often fail to appreciate the greater benefits of organizing this information as part of a corporately supported effort. Thus, any implementation of a corporate-wide knowledge-based system must include a clear communication of the benefits to all.

Within Technology and Operations this is a particularly important topic. Within T&O there are many support teams that would benefit from a division-wide forums-based system to serve as a knowledge repository while providing for discussion amongst employees. A system such as this may naturally be put to other uses as well, such as a reinforcement system which provides an area to nominate or recognize employees for achievements. Any number of benefits may be harvested by allowing employees to express themselves and generate or inspire innovation in this way. To not have an integrated knowledge base means that, for example, when solutions are identified to problems, there is very little in the way of useable history that can be leveraged to ensure that those working on future similar issues can benefit from previous examples.

The only existing, centralized systems of knowledge management presently in use at TELUS include the corporate intranet and LYNX, the Siebel trouble ticketing system. While each can be queried, the former is still largely static in content and does not provide the ability to dynamically update pages on the fly except by a limited few who specifically have access. The latter suffers from its own success as it houses the single largest store of records pertaining to trouble tickets and their fixes but without any way of sharing or further organizing this information in a manner that will benefit the majority.

As mentioned previously, there are many shared drives and repositories, other private department websites, FTP sites, and various other systems in place that allow some people access to some data sometimes. However, it is becoming increasingly apparent that there is the need for a much broader, extensive home for this kind of information that is more widely accessible. While much of the enterprise-specific information is available via a suite of internally available e.Tools as well as additional "quick wins" tools being developed for individual groups, the broader type solutions that would allow TELUS to benefit from the vast array of skills and experience possessed by its workforce are slow to take off.

The TELUS e.Tools were the result of an eight-month SAP implementation with the objective to optimize internal supply-chain management. The SAP implementation went successfully and enabled over $100 million in supply chain savings (Wilson, 2001). Overall, TELUS has spent hundreds of millions on large system implementations over the last few years. Well over $100 million was spent on implementing LYNX, an integrated trouble-ticketing system over a 24 month period from 2001 until 2003. LYNX integrated eight different trouble-ticketing systems through the organization, but its implementation was difficult and led to major customer service issues in 2003 (CBC News B, 2003).

Figure 9: Examples of TELUS e.Tools

e.Pay	e.Approve	e.Time	e.Bank	Team Machine
e.Learn	e.Lotto	e.Buy	e.Travel	e.Remedy
e.Print	e.Conf	e.Safety	e.Equip	e.Perform
Employee Service Record	Employment Verification	e.Corpcard System	Certification Tracking System	360 degree Feedback Survey

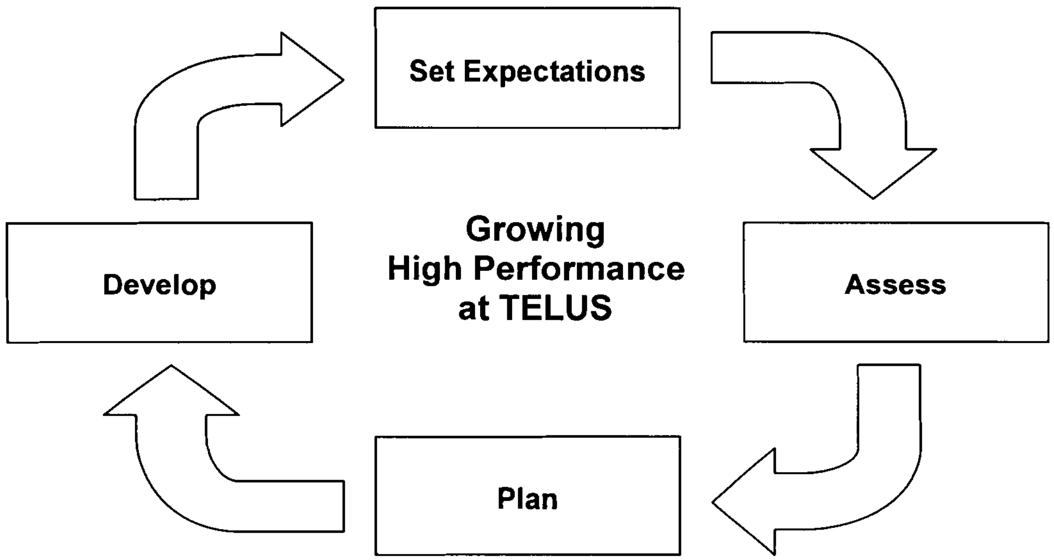
Based on: TELUS, 2005

Systems already in place for billing or other functions serve to "preserve the knowledge of individuals who have moved on to other functions, other jobs, other organizations" (Leonard, 1995, p. 22). However, although these systems may confer some benefit for the task at hand, for example in the case of billing being able to recall a particular customer's history, they do not often assist with other relevant tasks. In the previous example with the customer's billing history, in many cases it would be appropriate to apply that which is learned or has been successful with one customer, to another customer's case. By having some sort of correlation or central data repository, new hires could more quickly get up to speed without having to experience each set of circumstances first before they know how to handle it. This is often the intent of training but even a three week training program is not sufficient to provide the expertise of a seasoned pro. Instead, technical systems must be employed to complement training and experiences to date.

3.16.3 Managerial Systems

Throughout the years TELUS has developed and acquired a number of tools to add to its key objective of fostering a high-performance culture that suitably reflects the TELUS Values. e.Performance is one such system that seeks to tie many of others together and governs the process by which an employee constructs a CCDP, a PPO, and undergoes a PPR. These steps are augmented by Letters of Expectation (LOEs), compensation letters, the Strategic Staffing Model (SSM), and the Personal Value-Add Assessment (PVAAM).

Figure 10: Process of Growing High Performance at TELUS

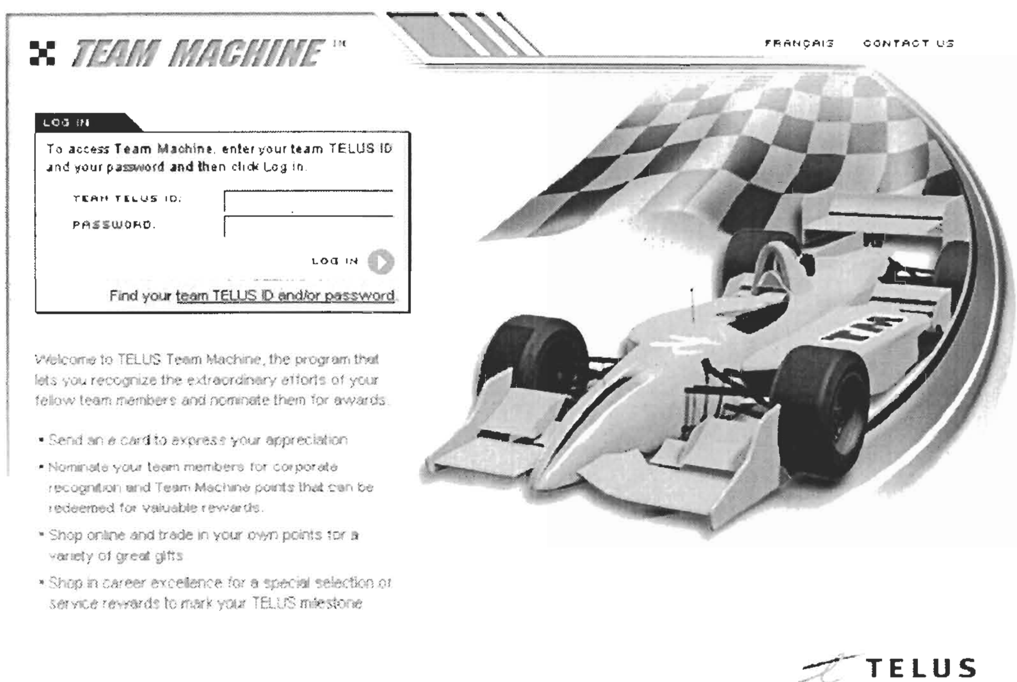


Based on: TELUS, 2005

Within these systems is contained the data on each employee's career development over the years. This is where employees and managers can identify together areas of improvement and training needs or other gaps in the employee's skills and development. The emphasis here is placed on creating goals which are SMART (specific, measurable, achievable/attainable, realistic, timely/time framed). This is where mandatory safety training requirements are laid out as well as other training the employee intends to pursue. In this way, a record of the employee's development plan and respective progress may be maintained and a bond is created between the employee and manager whereby they will work together to ensure any obstacles preventing completion of the tasks as outlined in the plan are avoided.

Thus, it becomes not only the employee's but the employer's responsibility to ensure that the employee receives necessary opportunities for improvement. For management professionals, the e.Performance process forms the basis for their bi-annual variable payout incentive. Other company-wide incentive programs exist as well, with the corporate sponsored "Team Machine" leading the way. Team Machine provides recognition opportunities from virtual cards to points redeemable in a catalogue of items; in this manner, Team Machine is intended to support a high performance culture recognizing and rewarding excellence.

Figure 11: Team Machine Corporate Recognition program at TELUS



By permission of TELUS, 2005

Training is another system in place to recognize individuals who show potential and are capable of taking on new responsibilities. As mentioned, TELUS offers a wide variety of delivery methods from on-the-job training and e.Learning courses to classroom-based training provided either on-site in the TELUS Education Centre or through external providers. In this way, TELUS has a long history of supporting and reinforcing the growth of knowledge through education and other incentives.

On the one hand, the organization benefits through increased buy-in from the employees with respect to new technologies but on the other hand there are some trends emerging, as one might expect, that are shaping future educational choices. For example, within Technology and Operations, Cisco certifications have historically been highly valued and recognized. These have become the standard and are reinforced each time a group of individuals successfully passes the exams. This popularity has grown to the extent that when an individual now seeks to pursue an alternative certification program that is equally or more relevant to their position, they are often questioned as to why they are not proceeding down the Cisco track along with everyone else. In fact, individuals who successfully obtain their Cisco certification are rewarded with Team Machine points, thus showing organization-wide acceptance of these particular certifications to the exclusion of other certifications. To the extent that this remains the case, other certifications are less recognized and are seen to have less value. As a result, the organization risks further skewing the skill set and vendor objectivity of the employees as well as limiting the ease with which new technologies may be embraced. Leonard (1995) discusses how economists refer to this kind of behaviour as "path dependency" as the past continues to influence behaviour in the future and in this example, may predispose the company to pursue Cisco solutions even when other superior solutions are available.

3.16.4 Values and Norms

As presented in Section 3.6, the TELUS Values reflect a focus or prioritization of the organization's basic values into these core priority values which are ingrained in the TELUS culture. Technology and Operations is certainly no exception to this. The dynamic, fast-paced environment is riddled with challenges of all shapes and sizes which demand timely resolution.

Similarly, the division is constantly faced with other increasing demands and new technology to deploy and so each of the above mentioned TELUS Values is reinforced within T&O on a daily basis.

In addition to the TELUS Values there are the six strategic imperatives that were established in the fall of 2000 and presented in Section 3.4. In combination, the TELUS Values and six strategic imperatives are evidence that TELUS intends to meet the competition head-on and compete for the privilege to deliver solutions to "...Canadians at home, in the workplace and on the move." For TELUS to deliver on this strategy, it will need to further promote and instil these attitudes and values within the members of the TELUS team. As discussed earlier in reference to Leonard, TELUS must also ensure that all employees understand and differentiate between Big *V* and Little *v* values.

Furthermore, recognizing the extensive history in the voice or wireline markets, only recently did it become necessary to navigate the "right-angle turn to IP." Communicated throughout the organization, this initiative is critical in preparing TELUS for the culture shock of blending a traditional telecommunications company with the diversity of a modern day solutions provider. With high-speed Internet gaining widespread acceptance it was inevitable that VoIP would be soon to follow. Just the same, the technology cannot build itself; it depends on a highly skilled and motivated roster of employees to build, implement, sustain, and grow the infrastructure to support the new platforms. Within Technology and Operations, even more so than the other areas of the company, it is critical to be able to recruit those with the right skills and expertise but also the right attitudes and beliefs. Ramping up to meet this challenge also means that the existing workforce must undergo a considerable transition; values appropriate in a previously enjoyed monopoly may no longer have a place in a new, more knowledge-based economy.

The company is thus faced with a formidable challenge – how to effectively shift the focus of tens of thousands of employees and have them transcend the gap from the end of one era and immediately begin gaining momentum in the next chapter of telecommunications both in Canada and beyond. In recent years, TELUS has experienced several rounds of layoffs and an Operational Efficiency Program designed to put thousands of TELUS team members into the job market and retirement respectively. At the same time, due to acquisitions and partnerships, there have been thousands more employees entering the company, increasing the evidence that the attempt to shift the antiquated monopoly mentality is working. With union contract discussions stretching out over the last four years it is clear the company is unwilling to compromise its ability to achieve a future state that will enable it to be as flexible as possible in order to compete successfully in the market. In other words, the company is holding strong in its belief for a fresh collective agreement, and not one based on the previous contract.

Clearly, the changes required will not occur overnight and some of the more pervasive beliefs and attitudes may be more resistant to change than others. Leonard describes how the relative difficulty of change grows from physical systems, through managerial systems and skills/knowledge through to the values and norms mentioned previously (Leonard, 1995). This kind of change is necessary to facilitate movements such as the "right-angle turn to IP" among others and necessary also to ensure that core capabilities continue to offer competitive advantage rather than inhibit progress. Leonard further suggests that through examination of the kinds of knowledge the company's culture encourages and fosters, one may be able to identify areas of core competence (Leonard, 1995).

In summary, TELUS's core competency lies in its technology leadership (Canada NewsWire Group, 2005); its leading core rigidity is the attitudes and beliefs of the employees along with the existing corporate culture. This core rigidity puts at risk TELUS's primary core competency and the organization must take action to ensure its competitive advantage is retained.

4 ALTERNATIVES

In the evaluation of the external environment we determined that the telecommunications industry is a level playing field where no company stands out from the rest nor has any sustainable competitive advantage in terms of the economics of the business, the regulatory environment, or technology. What does have the potential to be a key differentiator and thus provide sustainable competitive advantage is the corporate culture. It is those firms that can be the most flexible, adaptive and productive that will be able to take the same technology within the same economics and regulatory environment and put into operation new services faster, better and more cost effectively. These firms will be the service providers of choice for business and residential consumers, and who will thus reap the financial rewards.

In the Internal Analysis chapter, we reviewed the corporate direction that TELUS has recently taken. This involved massive layoffs and a focus on maximizing shareholder returns. At the same time, the contract remains outstanding with the TWU, which has contributed to the cultural difficulties the company is facing in terms of low morale and difficulty in executing strategy. Before TELUS is able to make any significant progress in the "right" direction, it must first establish a stable foundation in order to coordinate a systematic transformation towards a future given state.

4.1 Establish a Foundation

4.1.1 Settle the Contract

For over four years, approximately 40% of TELUS's workforce has been without a contract. The lack of a contract creates unnecessary tension between managers and bargaining unit employees which adversely affects performance and the general attitude of both groups involved. On an individual level, the lack of a contract has been difficult for each TELUS team member. For example, MPs must be prepared to return from any vacation within 72 hours of notice at the team member's own cost in response to strike action while BU members have not had a pay raise for over four years. This situation is not sustainable over the long-term and is affecting the mindset of the TELUS workforce. Coming to an agreement will not be easy, but is necessary and inevitable after more than four years of negotiation. While the organization will be forced to compromise on some issues, there are others that are crucial to the creation of a high-performance culture. Variable pay and regular performance reviews, for example, constitute two such elements where sacrifice should not be made.

Once the contract is settled, the health of the corporate culture will significantly improve and the company will be better able to move forward. Thus, before any movement is made to stimulate and encourage the corporate culture in the direction of sustained high-performance, a settlement between the TWU and TELUS must be complete. While several strategies and types of mediation have been employed in pursuit of this goal, none have shown any level of success to date. Over the last many months, binding arbitration was both imposed and then overturned by the Canadian Industrial Relations Board after TELUS requested reconsideration (TELUS News Releases, 2005). Binding arbitration represented the most promising attempt so far to resolve this dispute without job action given that both sides would be forced to compromise. Since neither party at this point is prepared to compromise voluntarily, each remains at polar opposites from one another.

4.1.2 Stabilize the Structure

Since the merger of BCTel and TELUS, the organizational structure has been in flux. Volatility within the organization is expected given the rapidly changing external environment.

However, over the last several years there have been numerous reorganizations, often leaving employees wondering which department they will be reporting to in the next week. This has the unintended side effect of creating unrest, uncertainty, and disturbing an employee's ability to plan for the short and long term (St-Amour, 2001). While not uncommon, this kind of perpetual change is often quite damaging to the nurturing of culture within an organization (Bedingham, 2004; Hooper & Oliphant-Thompson, 1992).

Until recently, these moves and changes were occurring in some departments right down to the lower layers of the organizational hierarchy. Many team members were uncertain as to their co-workers, their team, their office location and even in which city they were expected to work. It became necessary to establish "cooling-down" periods of up to 90 days following each reorganization in order to allow things to settle and create some level of stability for employees.

Understandably, this continual restructuring has been difficult for team members, especially those at the bottom layers of the hierarchy where communication from the upper levels is not explicit. By stabilizing the organizational structure, employees will gain certainty and the health of the corporate culture will increase.

4.1.3 Refresh the Workforce

Settling the contract with the TWU and stabilizing the organizational structure are two concerns that TELUS can tackle in the short term. Over the long term, one other matter should be addressed: refreshing the workforce.

In order to complete a transformation of the workforce, thus breeding new values and creating a sustained high-performing culture, TELUS should actively replenish its lower level employee base with those that exhibit the desired qualities rather than maintaining existing employees who are resistant to change. Of course, employees that seem resistant to change must first be given the opportunity to learn, but if they are unable or unwilling to learn, they must be exited from the organization through retirement or layoff packages, or moved to supporting areas of the firm which are less critical to the delivery of services to customers. As Schein (1977) agrees, "In order for the organization to have the capacity to perform effectively over a period of time it must be able to plan for, recruit, manage, develop, measure, dispose of, and replace human resources as warranted by the tasks to be done". To some degree, TELUS and especially T&O will be limited in executing this strategy towards the BU members; however, this must also apply to all management professionals.

By setting the foundation for the business, TELUS can then move forward and balance its recent economic-value driven change with organizational capability change. Two methods for balancing out the organization are now presented.

4.2 Theory E and O of Change

Research by Michael Beer suggests that there is little agreement on how companies must transform in order to survive and prosper (Beer, 2001). Some believe that the best method for change involves top-down initiatives focused on results-oriented action such as layoffs, restructuring and financial incentives. Others believe that organizational change is best implemented via a bottom-up approach where a strong culture is generated through teamwork, decision making involvement is used as a motivator, and an increase in leadership competence is developed at all levels. As defined by Beer, the former approach refers to Theory E or economic value driven change while the latter approach refers to Theory O or organizational capability change. Table 2 highlights the differences between the two theories as well as the integration of the two theories.

Table 2: Theory E and O of Change

Purpose and Means	Theory E (Economic Value Driven Change)	Theory O (Organizational Capability Driven Change)	Theories E and O Combined
Goals and Purpose	Maximize E value – maximize shareholder value	Develop organizational capabilities	Explicitly embrace the paradox between economic value and organizational capability
Leadership	Top Down – manage change from the top down	Participative – Encourage participation from the bottom up	Set direction from the top and engage the people below
Focus	Structure and systems	Corporate culture – Build up corporate culture: employees' behaviour and attitudes	Focus simultaneously on the hard (structures and systems) and the soft (corporate culture)
Process for Change	Programmatic – plan and establish programs	Emergent – Experiment and evolve	Plan for spontaneity – be both programmatic and emergent
Reward System	Incentives led – motivate through financial incentives	Incentives lag – motivate through commitment – use pay as fair exchange	Use incentives to reinforce change but not to drive it
Use of Consultants	Large/Knowledge Driven – consultants analyze problems and shape solutions	Small/Process Driven – consultants support management in shaping their own solutions	Consultants who are expert resources who empower employees

Based on: Beer & Nohria, 2000

Beer's argument is that senior managers must engage both theories in an integrated approach in order to develop a corporation with the capacity for sustained high performance. "The most effective approach to organizational change embraces the paradox by applying both top-down results-driven change and slower, bottom-up development of the organization" (Beer, 2001, p. 237). He further discusses the importance of corporate transformation being executed as a unit-by-unit change process.

A number of examples are provided in Beer's body of work on the subject of corporate change, but the highlight is Asda, a British grocery chain that also sold clothing and other non-food items. In December 1991, Asda was 1.5 billion pounds in debt and near bankruptcy when a new CEO, Archie Norman, took charge. Norman performed a number of immediate steps including firing the Chief Financial Officer, selling off unrelated businesses and unprofitable stores, imposing a salary freeze and laying off ten percent of workers (Beer, 2001). Norman also told the financial markets not to expect immediate returns and sanctioned far-reaching and drastic experimentation in several stores while declaring that the managers of these stores would not be held accountable for the results as are other store managers. In other words, Norman set expectations in the investment community which allowed time for changes at Asda while also stimulating and encouraging innovation and transformation for Asda to go to market. Norman indicated that 75% of his time in the first three years was spent on human resource and organizational development issues.

By 1994, Asda's profits and share price were steadily increasing and the company was outperforming its competitors in like-for-like sales improvement. The biggest transformation was in the corporate culture – it had changed completely from a hierarchical, bureaucratic organization with low morale to one in which employees and customers were being listened to through a variety of institutionalized mechanisms (Beer, 2001). In 1999, Asda was acquired by Wal-Mart at eight times its market capitalization in 1991. Wal-Mart managers were quoted as saying "Asda is more like Wal-Mart than Wal-Mart is like Wal-Mart". The Wal-Mart executives had recognized that it was the corporate culture at Asda that was the source of sustained competitive advantage.

TELUS is certainly not in the same financial position as Asda was in 1991. However, the Asda case provides an excellent example for companies like TELUS who have been focused too much on either Theory E or Theory O; if we understand that it is the integrated approach of both Theories which will provide sustained high performance and thus, competitive advantage, we can recommend an action plan for TELUS.

Applying Beer's model we see that TELUS has been largely focused on executing Theory E. CEO Entwistle has fixated primarily on increasing the share price, providing top-down initiatives, implementing large systems, focusing on financial incentives and has increased the use of Accenture consultants who make far-reaching strategic decisions. Having pursued Theory E as the methodology for corporate change, we can begin to understand the various cultural issues at TELUS. It appears that by continuing to follow only Theory E, TELUS will not be able to achieve its goal of creating a high-performance culture.

There are a number of reasons why the pursuit of Theory E has been so dogmatic at TELUS. From 2001 to 2003, it was critical for the telecom companies to prove that their financials were in order to gain much needed trust and continue to obtain funds from the investment community. The primary focus was on positive EBITDA or positive cash flow. This is why so many layoffs occurred during this time along with a corresponding investment in large systems (SAP and LYNX) to increase productivity.

In order for TELUS to excel in the telecommunications industry it is critical to integrate Theory O policies to complement its Theory E actions. Beer argues that organizational change must be instigated unit-by-unit and not as one corporate-wide initiative. Following this approach, Technology and Operations may be the unit that leads the organizational change process for TELUS. To carry out this organizational change, certain steps (outlined below) must be taken by the CEO, Darren Entwistle. Overall, his responsibility is to assist in coordinating the transformational process so that all leadership teams at every level within the business units learn and ultimately transform the existing organizational and management barriers to greater effectiveness (Beer, 2001). As noted by Beyer and Trice, "charismatic leadership is a highly specific subset of cultural leadership – one likely to produce cultural innovation" (Beyer & Trice, 1991, p. 152).

What follows are the duties of senior management and the leadership teams within the business units in order to manage a corporate transformation (Beer, 2001):

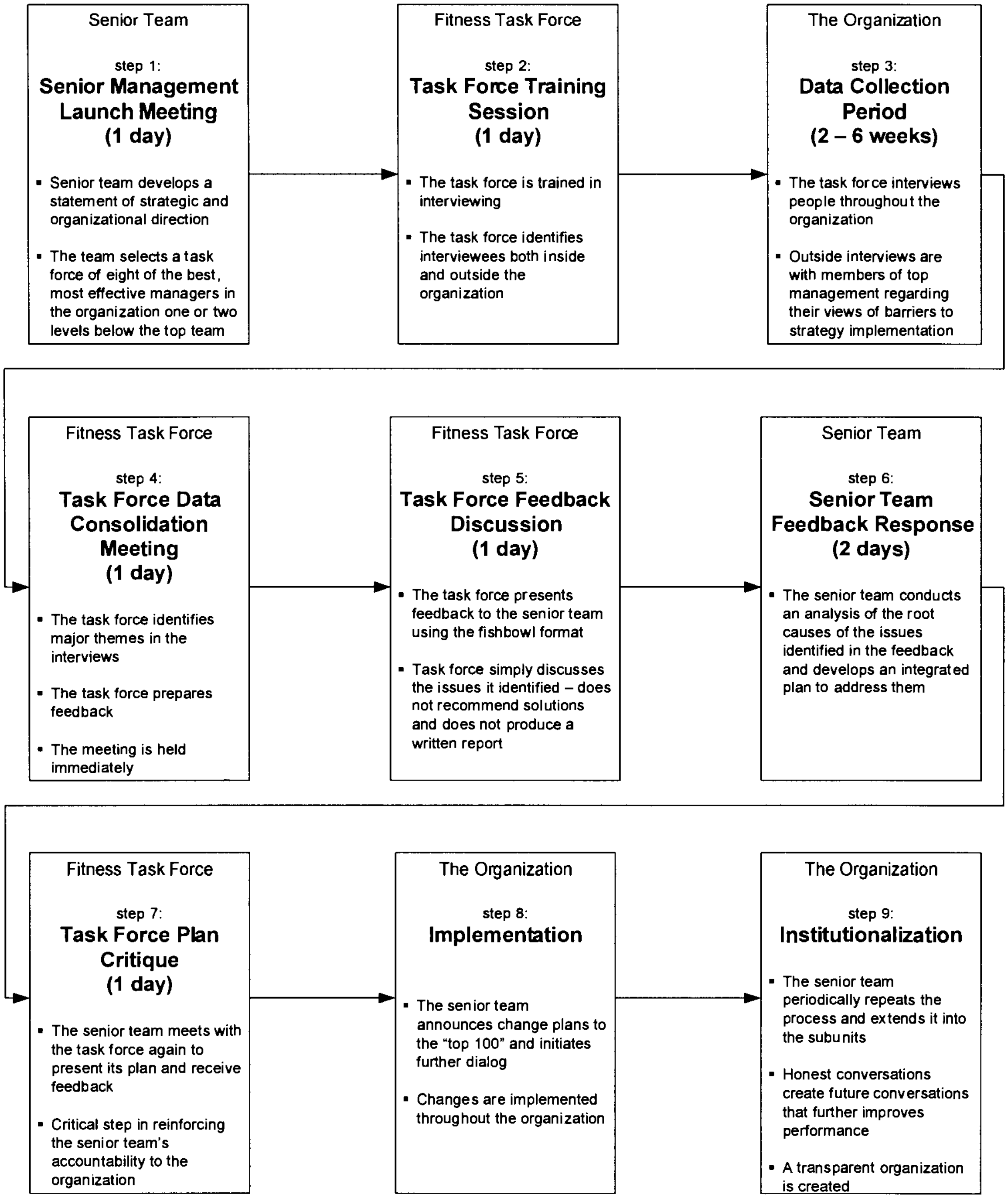
1. Develop a compelling and balanced business and organization development plan.
2. Manage capital markets to buy time for organization development.
3. Lead change in the top management unit.
4. Require that unit managers lead change and learn from leading change.

To a degree, point (1) has been fulfilled through the definition of the TELUS's six strategic imperatives. However, these imperatives are very broad and none of them directly address the type of culture the organization should be striving for. Point (2) or telling the investment community that financial performance will be secondary for a few years while the company develops its organizational capabilities is difficult for any publicly-traded company; however, given TELUS's strong performance over the last few years, this type of announcement may be more easily tolerated by the financial community. Point (3) refers to change required at the executive level; management barriers or organizational arrangements will likely need to be changed to create a transparent, open and communicative organization similar to lower levels. Until this type of self-examination occurs at the senior levels, any change in the lower levels will be unsuccessful. The final point (4) refers to lower level managers leading change and learning from the process itself. In this manner, lower level managers will discover inconsistencies between their intent and the organization's ability, as well as their own, to execute on that intent. "Only in this way will technical solutions to business problems be supported by the organization's social system" (Beer, 2001, p. 244). This learning is critical to the success of organizational development given that managers at all levels generally avoid dealing with the unpleasant realities about their organization and leadership.

To assist managers in leading and learning from change resulting in the development of a sustained high-performance culture, Beer recommends the following action plan titled the

"Strategic Fitness Process", shown in Figure 12 below. This process specifically opens up communication in the organization, making the company transparent to all employees. Norman indicates that transparency "means sharing knowledge, plans and intentions" (Beer, 2001, p. 243). With a transparent organization, all employees will be clear on the strategic direction and on the execution of that direction.

Figure 12: Beer and Eisenstat's The Strategic Fitness Process



Based on: Beer & Eisenstat, 2000

Beer's methodology has been used successfully in organizations such as Becton Dickinson, Merck & Co. Inc. and Agilent Technologies Inc. Should TELUS commit itself to organizational development and change by wholeheartedly applying this methodology, the corporation will be taking a critical next step to balance its current focus on Theory E and move itself closer towards achieving its goal of a sustainable, high-performing culture.

4.3 Artifacts, Values, and Assumptions

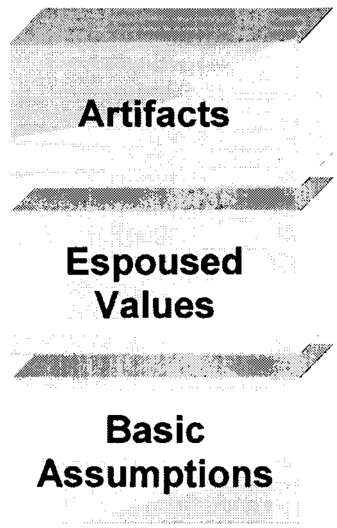
> *Culture [is] a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.*
>
> (Schein, 1987, p.385)

4.3.1 Assessment

According to Schein, the first step in assessing corporate culture is to identify the artifacts. Artifacts are those elements of the culture that are highly visible and apparent even to those newly introduced to the organization. These elements represent the structures and processes that are more tangible manifestations of the underlying assumptions in the organization and are more deeply rooted in the corporation's sense of being. From dress code to products these are generally more easily identified and may shed light or provide further clues on those aspects of the company that are less obvious.

Next, Schein advises examining what he refers to as the "espoused values" which are the strategies and philosophies of the organization and exist slightly below the surface, influencing different areas of the organization. These often take the form of norms, goals, codes of ethics, and company value statements. At TELUS, the most easily identifiable examples of these lie in the four TELUS values, the six strategic imperatives, and the corporate strategic intent.

Figure 13: Schein's Levels of Organizational Culture



Based on: Schein, 1992

Finally, it is useful to scour the organization in search of further clues as to the shared basic assumptions that provide the common understanding or perspective possessed by members of the organization or culture. These often take the form of unconscious or taken-for-granted beliefs, perceptions, and ideas that influence the way members of the organization respond to stimuli (Schein, 1984). These elements are far less easily identified than artifacts and espoused values yet play an integral role in the ongoing functioning of the organizational culture. Although it may be expected where a service providers is concerned, it is worth mentioning that one underlying assumption shared by virtually all TELUS employees is that customer service comes first. This notion is deeply ingrained as becomes unquestionable as employees seek to deliver on it; team members understand that customers will continue to do business with TELUS if they receive exceptional service. Rhetorical questions such as this only reinforce the previous underlying assumption. Similarly, members of the TELUS culture also share pride with respect to the image and brand that TELUS possesses. Indeed, in Western Canada there are few company names that are better recognized due to TELUS's century-old existence and previously-enjoyed monopoly. While it may be true that customers can more easily recall slogans and images of other companies at a higher success rate one would still be hard pressed to find a resident of western Canada that does not know who or what TELUS represents.

> *Assumptions and beliefs serve as the basis for perceiving, feeling and acting. If an institution changes the cultural artifacts and behaviors without addressing the underlying assumptions and beliefs, then successful change will not occur.*
>
> (Schein, 1992)

To summarize, the recommended approach then becomes:

1. Identify the company artifacts
2. Determine espoused values
3. Seek evidence of underlying assumptions.

4.3.2 Method

While a variety of techniques may be employed to gather the necessary data during any one of these steps, it becomes obvious that Schein feels there is far more to be gained through in-depth interviews and behavioural studies than through more quantitative attempts at analysis such as questionnaires or other surveys (Schein, 1996; Schein, 2003).

Once there is an understanding of the present culture the next step is to achieve consensus that there is need for change (Bedingham, 2004). Schein adds that this understanding is best achieved through an outsider working with motivated insiders in order to mitigate any bias yet still obtain the "inside scoop." This need for change is commonly identified by senior management eager to remain competitive in a changing environment (Fitzgerald, 1988). Often, the challenge is actually arriving at this realization in the first place. In his article, Atkinson (2004) notes four common signs/symptoms of an unhealthy, negative corporate culture that may be used to support the notion that change is needed. These include a short term tactical rather than strategic focus, lack of leadership in decision making, a silo mentality, and constant fire-fighting.

> *Culture change is about developing a strong competitive edge, developing core competencies and attracting and retaining the best people. Culture change can also reverse the polarity of the organization and move from a fire-fighting mode to a planning mode where preventing of problems rather than reacting after the event consumes employee's time.*

(Atkinson, 2004, p. 8)

At a high level, the next step is for the organization to break away from existing practices (referred to as "unfreezing") where the old culture is intended to be displaced by the new (Schein, 1968; Galpin, 1996). The target or intended destination at all times should be clearly identified and communicated (Harrison, 2000). As well, with the implementation of the new practices, a safety zone should be constructed where members of the previous culture may experiment and sample new ways of doing things with no risk of adverse repercussions. This is in accordance with Schein's encouragement towards creating an environment that best facilitates cultural change – making the transition as smooth as possible.

Throughout this process communication is vital and so it becomes not only necessary to have the higher level plan but it is important to express the deeper, more sincere motivation or reason behind the change. If the plan is realistic, with risks and benefits identified, and mechanisms supporting honest communication in place then it is far more likely that employee buy-in will be achieved. As Bruner (1996) notes, while it is critical to have the support and leadership of the CEO, this is necessary yet not sufficient to prepare individuals for this kind of change. Instead, cultivating leaders and other techniques to assist with the required transformation provide further means with which to facilitate the transition and make it that much easier on the organization and its members (Schein, 1986).

Following the implementation of these new practices, it is crucial to instil processes that may assist with ongoing support and stabilization of the new practices (Lawson, 1992). Schein refers to this process as "refreezing" following the previous thawing or "unfreezing".

Adapted from Schein, these steps are as follows:

1. Create a compelling positive vision identifying the reasons for the change
2. Develop a strategy that will deliver the intended results
3. Assess the present culture and identify enablers and barriers to change
4. Involve those affected (identifying and empower those leaders who are "culture carriers" to assist)
5. Implement plan complete with mechanisms to facilitate and reinforce change.

Again, throughout this process there must be adequate training (both formal and informal) as it applies to the new desired behaviours (Schein, 1996). Also there needs to be in place a method of practicing these newly acquired values, with additional coaching, feedback, and role models. Finally, positively rewarding the acceptance of change and providing a means of voicing questions and concerns can further support a smooth transition (Schein, 2003).

Despite techniques to assist with these kinds of changes, any transition of this magnitude is not going to occur overnight (Eales-White, 1992; Easterby-Smith & Salama, 1994; Brasted, 2004; Pennington, 2003; Morgan, 1998). As organizational culture is often increasingly resistant to change as one progresses from artifacts and espoused values through to deeply ingrained assumptions, and it is equally gradual to evolve. Instead, this process requires a systematic approach in order to phase out and diminish old values while phasing in and implanting new ones.

Naturally there are factors that may positively or negatively affect both the speed with which this takes place and the level of success (Jones & Jimmieson, 2005). Having a clearly defined and agreed upon set of desired values is one of the necessary first steps and becomes crucial when seeking to shift the mindset and behaviour of organization members. Similarly, a common understanding of the end goal, being the desired target or result of this change, is equally important. Culture is fundamental to any organization and having proper alignment in the pursuit of and execution on strategy can create significant advantage (Kleiner & Swe, 1998; Hugget, 1999).

Knorr acknowledges in his article *A Strategy for Communicating Change* that failed or incomplete implementations of plans to change corporate culture are not entirely without merit. He sees these as a necessary precursor to increase chances that other efforts to execute on strategy will "stick" (Knorr, 1993). In order to decrease chances of failure, O'Neill suggests the following very straightforward approach:

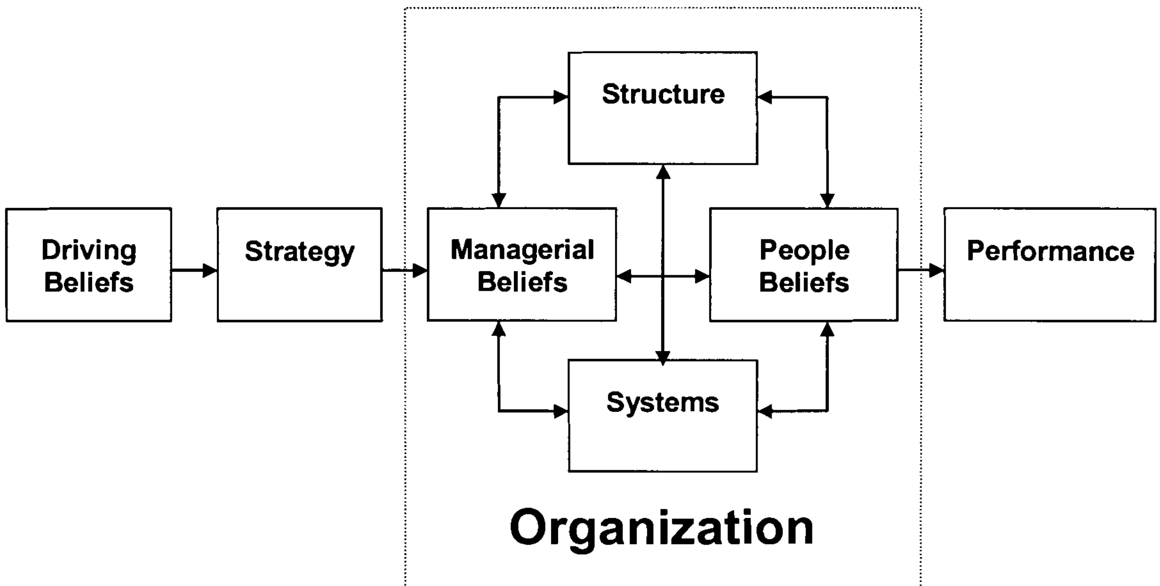
> *Explain to all organization members the absolute necessity of the culture change. In an official organizational meeting, the head of the organization should discuss first the environmental changes precipitating the culture change and then the likely, but undesirable, consequences of organizational inaction. Next, that person should describe the corporate vision and how the organization must successfully operate in the near future.*

(O'Neill, 1990, p. 90)

Schneider and Brief describe a perpetual cycle of disappointment whereby changes may be implemented and fail and then further changes implemented with the same result (Schneider & Brief, 1996). A primary reason cited for this is that organizations consist of people and if the people do not change the organization will not either. These authors, interestingly enough also refer to an example where AT&T felt compelled to transform from a monopoly mentality where there was always "... time to do things the way we think best" to the same fully competitive market in which TELUS finds itself (Schneider & Brief, 1996, p. 6).

In several articles, the authors suggest "honouring the past" by looking to it for inspiration and instruction and in another they recommend a "back to basics" approach (Bristow & Wilkins, 1987; Marine & Riley, 1995). Combined, these seem to indicate that if the desired culture is one that has already been present or has roots in the past then it may be that much easier to reach once again. Beck, in his article *Visions, Values and Strategies: Changing Attitudes and Culture* (1987) takes this one step further and recommends conducting a "root value study" where one examines the underlying or founding principles of the organization in an effort to understand how and why it evolved in the way that it did.

Figure 14: Assessing a Corporate Culture: If Beliefs are Not Aligned Performance Suffers



Based on: Beck, 1987

Figure 14 portrays the interaction between the beliefs of the various parties involved, the effect on the organization, and the resulting performance. The theory is that performance will be adversely affected to the extent there is misalignment among the beliefs, attitudes, values, and culture. These highly tacit components may have very real repercussions on the successful execution of strategy (McManus, 2003).

This is also highly relevant where leadership is concerned. Schein argues not only that "the concepts of leadership and culture are ... entwined and inseparable" but that leaders create cultures and in turn, the culture inevitably influences and produces the next generation of organizational leaders (Schein, 1992, p. 5). As a company matures, the organizational culture shapes these leaders – embedding within them the core beliefs and values of the company. This is why, for a company like TELUS, it is important to keep a fresh perspective by hiring from external sources into management positions and equally, if not more important, to hire and promote from within. This will provide continuity where positive attitudes and culture are concerned. Further development and evolution of the culture will be necessarily affected by areas the leaders emphasize and focus upon. Schein argues that because upper management is typically most knowledgeable with respect to what is required to compete at an industry level, they should be aware and ultimately responsible for managing the cultural direction.

To this end, Schein advocates that executives and other leaders vary their experience as much as possible – travelling outside the immediate confines of their environment in order to seek out and identify new values and attitudes that will be positive additions to the organization. This is especially true to the extent that these individuals have invested a great deal of time in the current organization and may possess at least some level of tunnel vision when attempting to look at the organization objectively. As Schein noted in an interview, boards of directors frequently seek to avoid this bias by hiring a CEO from outside the organization (Schein, 2000).

In July of 2000 this is precisely what was done at TELUS through the hiring of current president and CEO of TELUS, Darren Entwistle. As expressed by the previous CEO, Brian Canfield, "Darren Entwistle truly is a perfect fit for TELUS and the company's strategic growth plans" (Canfield, 2000). No doubt this appointment was made not only based upon this candidate's ability to envision the future state but also taking into consideration his knowledge of what it would take to get there.

Building an effective organization is ultimately a matter of meshing the different subcultures by encouraging the evolution of common goals, common language, and common procedures for solving problems.

(Schein, 1992)

5 RECOMMENDATIONS

From this analysis of TELUS and the Technology and Operations business unit, we see that there are a number of internal issues facing the company. From an external viewpoint, the company is progressing successfully, but in order for the organization to remain competitive and lead the telecommunications industry, additional steps must be taken to nurture and build the corporate culture into one that becomes an inimitable source of competitive advantage.

Technology and Operations can and should lead this corporate cultural change, especially given the significant number of bargaining unit team members within this business unit. This will be the most difficult of business units to change, which is why it should guide the way for the rest of the organization. Before any action to change the culture begins, a foundation must be built. In the previous chapter, we described two steps that should be undertaken immediately and one step that should be done over the long-term.

TELUS must find a way to reach an agreement with the TWU and finalize the outstanding contract that applies to approximately 40% of its workforce. Given the amount that each side has to lose in the event of a work stoppage, this is best reached peacefully. However, since neither side shows any willingness to compromise, binding arbitration appears to be the best option at this current point in time. As a result of a Canadian Industrial Relations Board (CIRB) ruling, the company was forced to offer binding arbitration to the TWU once already but this decision was eventually overturned as TELUS disputed the reasons behind the CIRB decision to impose the ruling. Binding arbitration may be the shortest path to solving the existing stalemate but still fails to resolve the underlying issues when ruling impartially on each item. The CIRB may still rule again that TELUS and the TWU must proceed with binding arbitration should either party request this for consideration in the future. TELUS still may request binding arbitration upon pressure from its board of directors or in order to avoid a prolonged strike and the resulting customer churn and loss in revenues. The union may also request binding arbitration if support from its members begins to wane after years of no pay increases along with the desire to retire by many of the older members who expect retroactive payment once a settlement is reached. Both sides may also be forced into binding arbitration if either side violates the formal communication ban imposed by the CIRB during this non-contract situation.

In the event that binding arbitration takes place, both sides will inevitably lose on important issues. Concessions will be forced on each side by an impartial third party who will rule on each outstanding issue in isolation and attempt to reach some manner of compromise. Generally, a compromise suggests that both parties should be satisfied with the fairness of the outcome; however, in a case such as this one between TELUS and the TWU, it is likely that neither side will be happy with the end results, just with the fact that the settlement has been reached and both sides can "save face".

While this method of binding arbitration is seen as the most practical answer to a difficult problem, the process deviates from the original intent of negotiating in the first place which is to work towards a mutually agreed upon contract that satisfies both parties. Nevertheless, given the width of the gap between the two sides' positions, binding arbitration is recommended for both sides as the only relatively peaceful and expedited way to avoid a strike or lockout and allow the company to move forward.

Secondly, the firm must stabilize its organizational hierarchy. The constant restructuring causes anxiety and confusion among employees, which is not only counterproductive but takes the company's focus away from the external environment. Reorganizations will, and must, continue to occur to react to internal changes and the industry, but the number and volume of restructurings needs to be reduced.

The third step to building a solid foundation should start immediately and be done over the long-term. This refers to replenishing the workforce with leaders and those who subscribe to transparent communication at all levels. Once attempts are made to have employees lead and learn, those who are unable to rise to the challenge cannot be allowed to remain. This should apply to team members of all ages and experience levels within the company. Finally, those employees who do subscribe to this vision should be encouraged to stay and grow within the company for as long as possible.

Once the contract with the TWU has been finalized and a conscious effort made to minimize restructuring, TELUS can focus on nurturing the corporate culture. Beer and Schein's methodologies both support opening lines of communication and changing attitudes and beliefs throughout the organization. Senior management needs to ensure that employees have at least a basic understanding of the company strategy such that they know the direction in which the company is headed (Beck, 1987). At the same time, it is important that the employees understand and appreciate the principles the company values most.

Among several possible culture analysis tools, we recommend Beer's Strategic Fitness Profiling because his theories have been applied successfully to high-tech companies such as Agilent as well as companies such as Asda, who participate in highly competitive industries. Strategic Fitness Profiling "provides a window for understanding deeply rooted barriers that are common to an array of companies" (Beer & Eisenstat, 2000, p. 30). T&O, given its large number of BU members and the recent rapid changes to the organization, will benefit from the unearthing of barriers within the division.

Furthermore, as a mechanism to facilitate this change and foster the development of a new culture going forward, we recommend the development of a common knowledge management system or forums-based system where employees may share their experiences. A widespread implementation of a system such as this presently does not exist within TELUS and would provide an opportunity for individuals to benefit from others' expertise while participating in the development and evolution of new practices.

People are TELUS's greatest strength, but are also TELUS's greatest potential weakness. By consciously focusing on building and cultivating a strong corporate culture based on open, transparent communication, companies stand a greater chance of having their team members aligned and as a result the company is better able to execute on its strategy effectively (Farbrother & Marc, 2003). Team members understand and see that "the overall problem [is] rooted in fundamental management issues of leadership, teamwork and strategic direction, not in the commitment of people or their functional competence" (Beer & Eisenstat, 2000, p. 31). With T&O leading the charge, TELUS can create a long-term, sustained, high-performing culture giving itself an inimitable competitive advantage over all its peers.

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