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# CHALLENGES IN HUMAN RESOURCES UTILIZATION AND THE IMPACT ON OTHER STAKEHOLDERS FROM GLOBALIZATION, TECHNOLOGICAL ADVANCES, RESTRUCTURING, AND DOWNSIZING: THE CANADIAN PERSPECTIVE

*Harold Giles\**

WE ARE AT A PERIOD OF TIME in the history of economic change that is more difficult to predict than ever before. Notwithstanding, there is a good chunk of people in academia who are very good at making predictions. I think the reason for that is we know so much less about the impact of some of the forces that are with us now, such as technology, which has obviously been around for many decades. I believe today, at least from a practitioner's standpoint, we know less about how that impacts upon us than we ever have before. That has an impact on how we approach the topic.

Recently I spent a couple of days in San Diego with a group of my peers who work in fairly large, rather diversified local companies. We had the opportunity to talk about those things that were impacting upon us most of all. Surprisingly enough, given the fact that these people were fairly diversified, there was a common theme that cut through us all. Today we are probably experiencing more complex paradoxes in managing human resources than we have ever had before. You do something here, and something else appears over there. You end up responding to shareholders' needs by driving costs out, and the customer ends up coming back and complaining about the fact that you are taking people out, even though they are getting a lower-cost, higher-quality product. The shareholder is not the person who is necessarily complaining about the amount of money that you pay your chief executive officer; it is the customer, or it is the community at large.

Those kinds of paradoxes are very difficult to solve. The current situation is not going to go away. It is not only self-evident; it is the driving force behind why, in human resources today, managing those paradoxes is going to be the key to our success.

I believe that the reason that these paradoxes exist is the current crop of world business leaders. Many of them are throwing up their hands and are saying, "now that we have handled our cost equation, we can focus on revenue growth." In fact, reality today dictates that you manage the paradox, at the same time you grow revenue. You must also take out costs on a continuing basis.

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Those equations could be put together on the basis of the assumption that costs are going to be in a steady state long enough for you to divert attention. But, they are gone. We do not have that luxury. That has a bearing on not only how we manage companies, but how we treat our people within those companies.

I think that it is simply a fact that these paradoxes exist. We are, in fact, representative of all other human beings in the world living in a society that is going through some very fundamental shifts in the way that it works. Again, I am not sure that we understand the equation; the more that we do not understand the equation, the more these paradoxes come upon us.

One of the reasons for that today, more than ever before, is that we communicate directly in real time. There is no gap between the information we get and when we actually have to act on it. We cannot put off solutions the way we could five years ago because that real-time information flow comes to us in such a way that we simply have to respond.

How many CEOs in the world today have changed their behavior solely because Bob Allen, with AT&T, got beat up in the press about the fact that he was going to lay off 40,000 people, then changed his mind a couple weeks later deciding to bring them back? That creation of an image, that maybe we are right, maybe we are wrong, depending upon the circumstances, has generated a whole series of new behaviors on the part of the world's business leaders.

All of us have stakeholders. Those stakeholders are employees, investors, and shareholders in the enterprise. They are the communities and governments in which we work, and they, to some extent, control us. They are also the customers who buy our products and services.

What has happened recently is that the stakeholder's definition of reality has changed considerably from what it was two or three years ago. This definition of reality requires us to behave in a different way, given the fact that we can sense that reality quicker. We can sense their definition of it quicker because we communicate faster than we have before.

Let me give you some examples of that. Today, a large percentage of employees worry about job security because of the constant stream of information about continuous job losses. The vast majority of people in Canada and the United States are not going to lose their job tomorrow. However, there is still worry about job security because of all the information about people losing jobs in our current economy. The definition of the future is at best muddy which leads to a general feeling of stagnancy. This is despite considerable job creation.

What is clear is that the organizations that are truly struggling today are those donning their blinders and galloping ahead without looking left and right. We all know that time is not on our side in a

business world that has no respect for the clock. However, we absolutely need to look at that clock somewhere down the trail.

We may not have to slow down, but we surely have to change our rhythm from a frenzied gallop to a rigorous trot. The challenge is looking at how we can reconcile these diverse realities of people who make up the equation of each of our societies. We may, in fact, have the opportunity to improve our overall performance by ensuring that we expose these realities, even with the risk of substantial conflict.

Bell is a good company to illustrate the context of what I was talking about because we really have all of the stakeholders in Canada with us. In contrast to U.S. telecommunications companies, we are an integrated company. We have long distance as well as local service; we have cellular as well as satellite activities. So we are, in fact, a company that represents a full context of the telecommunications world.

Like most Canadian companies in the last decade, we have messed up, and we are just now beginning to learn from some of the mistakes that we made, not the least of which was taking too long in debating about what tomorrow was going to look like when the rest of the world passed us by.

Let me take you through Bell's corporate history for a moment to provide some perspective. We are over a hundred years old. In our early years, there is no question that we enjoyed a very comfortable monopoly environment. We delivered above average returns for our shareholders. We have never had a layoff of employees. In fact, when I went there a year ago, the two major unions that we had did not have a layoff provision in their collective agreement. We could not lay them off.

Governments loved us because we did what we were told to do and we generated lots of jobs; 51,000 of them as of the beginning of 1995. However, the decision was made, not by Canada, but, candidly, by the United States, to deregulate the long distance market. When that happened between 1993 and 1995, the company's income dropped by thirty-five percent, some 300 million dollars. Since the start of that competition we have lost twenty-four percent of the long distance market share. Two years is what it took. And almost all of it went to global carriers coming within the Canadian market. On top of that, our credit rating took a tumble. It cost us more to borrow money. We use about two-and-a-half billion dollars of it a year. The doomsayers began challenging the hundred-year-old myth that nothing could happen to Bell.

We stopped the slide in the past year. In fact, we are going to project an income next year of 712 million dollars, up from 500 million dollars this year. We forever changed Ma Bell. Every one of our stakeholders now has a taste of a new reality.

To respond to that change we are going to spend a billion-seven on changing the structure of the company, and at least 900 million of that

billion-seven is going to pay for severance pay for 15,000 people. We are going to do that in the next two years. We have already taken 5,000 of those 15,000 people out of the company.

That kind of change is, candidly, not the kind of thing you would like to go to bed with, and have it to be around when you wake up. You really would like it to go away, particularly if you are in the business that I am. However, I face it every day like the other 45,000 people who are still with us.

I would like to tell you about how we are doing that, because that is the response we need in order to build a company that will take us into the future. We had to ask ourselves the painful question, what if we do not downsize? What if we just simply hunker down, go out for more volume, go into multimedia immediately, carry our 51,000 people, and grow? There was a substantial number of people who spent a good deal of time putting together strategies along those lines.

Fortunately, there were a few people who came along and suggested that we look at a balance sheet. When that was done, it was very clear that the company would be bankrupt very quickly. There just would not be the kind of cash necessary to sustain our ten billion dollar company.

We are one of the largest telecommunications providers in North America. That is not a reality that any one of our stakeholders could live with, especially not the government. Bell Canada is one of the drivers of the new economy in Canada. We need to turn the switch on and apply a lot more speed than what we have. We did have to accomplish the short-term agenda. We did turn the switch. What we did when we made that move, though, was to consciously look at each of our stakeholders and get their perspective. This all happened fairly quickly.

Let us take the employees as an example of one of those stakeholders. For the most part, our people have been generally acceptant of the fact that Bell had to change; it was sort of self-evident. Explaining why we were going to do what we were going to do was reasonably well-done. People were not happy about it, but there was a general acceptance that if we did not downsize, then the consequences were relatively clear. Naturally, in a transition of this size, there was a tremendous feeling of insecurity on the part of the employees. At the heart of it, people started challenging concepts of fairness, concepts of equity, and concepts of individual rights. In fact, we wanted that challenge to occur, so we put in place some mechanisms where we could be open about that. Bell had a concept of equity that had everybody paid the same in every classification. Everybody knew what everybody else made. So there were twenty-five officers in the company. They all made "X." Every one of them knew they all made "X." Every layer was exactly the same because they believed that differentiating the quality of people with money was not equitable. That definition of equity was

not an appropriate definition in their eyes.

Part of the way we responded to it was by creating what we called a career crossroads program. The name of the program was picked before I came. I think it fits the bill because the point was we were going to have a transition where employees would relocate from one state to another. We made generous severance packages.

One thing about Canada versus the United States, they certainly are not short on the use of money when it comes down to paying people affected by restructure. And that was the right thing to do in the Bell context, because in fact it met that test.

We gave employees a choice. However, it was not a choice based only on their terms. We told our people that they had four months to determine, with their manager or leader, what the future state of Bell was going to be in two years. They then had to make a choice, along with their manager, whether they wanted, first, to be a part of it, and, second, whether they considered themselves competent enough to be a part of it. Their manager could then decide to keep them if he wanted them to stay.

In contrast with most voluntary programs where the employee simply holds up his or her hand and the severance pay comes, and out they go, Bell gave a choice. We had the final call as to when and who was going. It was going to be decided in the context of what work needed to be done in the next two years.

There was substantial risk in that because knowing what was going to be needed in two years was not an easy task. But, we could at least give a perspective. We could tell middle managers that we were going to eliminate two layers. So if an employee was one of the 1,000 people in Layer B, they knew that that layer was going to go. In their dialogue with their leader they would be able to choose whether the generous severance package was appropriate to them, or whether that they could go into another opportunity somewhere else.

We spent a tremendous amount of money training people to exercise that choice. Generally it worked very well. In fact, we had estimated that of the 15,000 people, we would have probably around 6,000 people who would volunteer to leave.

As it turned out, we had 15,000 people volunteer. We agreed with 10,000 of them. The other five thousand are on hold until this two year period goes by. We will make some judgments as we go through that next two-year period. I think that was indicative of the quality of the human resources at Bell. They saw the nature of the company in many cases much clearer than the management of the company saw it.

Notwithstanding the fact that reality regarding job security was viewed differently in management, I think that working through that, we were able to reconcile some of those differences. It involved compromise and immense creativity on the part of many, many people. In fact,

to give you an example of that, we went so far as to help set up a new company, owned by the union, to do a major portion of our customer line installations. This is one of the most important customer interface jobs in the company. The union and the company, in negotiations, were looking at options. Clearly the strategy required us to reduce the cost of the operation by removing people. We did that. But, the right thing to do was to separate it from Bell. That was done by forming a union and by creating a company which was owned by that union. That one is going to get considerable press in the next six months as an example where creativity ruled the roost.

There was another stakeholder whose definition of reality was substantially different than ours, the communities in which we had offices. We knew that we would have some difficulty closing offices. That is one of the common things that happens when you decentralize. We had about a hundred offices and distribution centers all over Ontario and Quebec. Needless to say, when we announced those closures, we had considerable response from the community that was not of a kind that would be easily managed. What we did, however, was recognize that that particular stakeholder had an interest that we could, in fact, help with. It was not going to diminish the loss of jobs, but we could help that stakeholder connect with other suppliers, with our suppliers and with other government involvement in order to help them solve some of those problems as well.

The response that we have taken is to ensure that the realities identified by those constituents get exposed; that we, in fact, deal with each of them, even though they may be exactly opposite to how we view the world. To be able to do that in a way where at least we stop long enough to look at what they are.

The expression in the eighties of ready, fire, aim is clearly gone. We can respond with every bit as much speed in Bell without having to have that big void of key messages that the constituents are giving us. That is one of the important things in looking at downsizing as we go forward here in the next couple of months. The issue that we all have to face is that we are not going to be able to slow down in this exercise; we are not going to be able to take a response that meets only the needs of one constituent. Rather, we have to take them all into account. And the faster and the higher quality that we use to do that, the more probable our success will be.