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"Responding to the Challenges of the New Competitive Environment"

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BellSouth Telecommunications provides local-service for nine states in the southeastern United States and employs over 65,000 of the 80,000 employees in the BellSouth Corporation. During 1995, BellSouth Telecommunications received more than \$12 billion in revenues and provided more than 21 million access lines. The current growth rate for BellSouth Telecom is one million lines per year. Because of this rapid growth rate and deregulation, BellSouth Telecom is currently facing competitive challenges that it never faced previously.

Mr. Cassity's presentation focused on two subjects: (1) The strategy of BellSouth Telecom and its relationship with the BellSouth structure, and (2) Re-engineering efforts utilized at BellSouth. Cassity also discussed the successes and failures associated with the re-engineering effort. There are currently three strategies in place:

1. Continue to be the leading telecommunications company in the southeast region.
2. Continue to grow domestic wireless business.
3. Grow existing international operations and expand into new markets.

The current structure at BellSouth is that of a classic holding company. Three divisions comprise this corporation: (1) BellSouth Telecommunications, (2) BellSouth Enterprises Inc., and (3) BellSouth International, Inc. BellSouth Telecom's organization is based on a customer focus, but this was not always the case. After the AT&T breakup in 1984, three different Bell entities (Southern Bell, South Central Bell, and BellSouth Services) provided local-carrier services. This largely, unaffected monopoly arrangement was organized on the basis of function, i.e., engineering, marketing, networks, maintenance, regulatory, etc. This structure was inefficient for many reasons. Labor and pension benefits costs were much higher than the industry standard. The structure also promoted an internal rather than external focus. The needs of telecommunications customers were changing rapidly and BellSouth Telecom's structure at this time was not customer-oriented.

The first structural change merged the three Bell entities into BellSouth Telecommunications in order to take advantage of economies of scale. A second transformation reorganized the division into Customer Operations Units. These groups included: (1) BellSouth Systems, (2) Small Business, (3) Consumers, and (4) Inter-exchange Carriers. Customers served by BellSouth Systems are large, complex businesses such as Federal Express or Delta Airlines. The Small Business customers are businesses which maintain one to six lines. The Inter-exchange Carriers Operations Units serve long-distance carriers including AT&T, MCI, and Sprint.

The restructuring into a customer-based organization led to a large re-engineering effort at BellSouth in 1992. This re-engineering consisted of consolidations, process improvement, and significant reductions in the workforce. An original goal of 10,200 reductions was set in 1992. An additional 11,300 reductions were scheduled in 1995. Numerous projects regarding data center consolidation, forecasting and budgeting, maintenance/repair, planning and provision, and many other projects were also undertaken internally. One of the goals was to identify BellSouth's core

competence and key business processes in this turbulent industry. The four essential business processes identified include: (1) service delivery, (2) service assurance, (3) billing, and (4) product commercialization.

BellSouth's self-analysis of its re-engineering efforts led to many conclusions. First, large projects need to be conducted in a modular fashion. This allows success or failure to occur in a series of small increments. Modularity also simplifies the method of tracking vendor performance. A second conclusion was that as the complexity and interdependency of projects increase, the probability of not meeting deadlines and budgets also increases. Third, BellSouth recognized that client ownership enhances budget and time disciplines. BellSouth's internal analysis of corporate re-engineering supported a consultant's study on large systems development. The parallel conclusions indicate that BellSouth's management problems are typical of any organization supporting a large complex system.

BellSouth continues to pursue outsourcing as an opportunity for additional re-engineering accomplishments. The internal analysis indicated many achievements such as the following:

- Workforce reduction occurred as targeted
- Comptroller and data center consolidations are complete
- Many support functions are redesigned or outsourced
- Improved plug-in inventory control
- Strategic supplier alignment

Now that most re-engineering efforts are complete, BellSouth is in a stage of adopting "process management." Cassity suggests that the ability to adopt efficient process management is contingent on identification of the critical metrics associated with the processes. Successful adoption of process management is also critical because it forces BellSouth to maintain a customer focus despite continual change by creating measurements linked to customer desires.

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