

TeleDanmark in 1995

Background

Prior to the 1995, Denmark had four regional telecommunications service providers (TSPs), KTAS, Jydsk Telefon, Fyns Telefon and Tele Sønderjylland. All were state owned companies, each being owned by its local regional government. In 1990 the Danish Parliament passed legislation merging the four operators into a single publicly owned company, TeleDanmark (TDK), with the Danish government retaining a controlling stake in the new parent company. TeleDanmark was led by CEO Hans Wurtzen who, prior to his appointment at TDK, had been minister of Telecommunications. The four regional telcos were to be merged into a single entity inside TDK.

The merger was intended to strengthen Denmark's telecommunications industry ahead of market deregulation, slated for 1996. Up to this point, each region had a single supplier with a monopoly guaranteed by the state. As part of a European Community initiative, telecommunications monopolies were to be dismantled, leaving the market open to competition from other European countries and from outside Europe.

Prior to the merger, each regional operating company had its own management structure, but with the merger, rationalization of senior management, not to mention the staff functions, was inevitable.

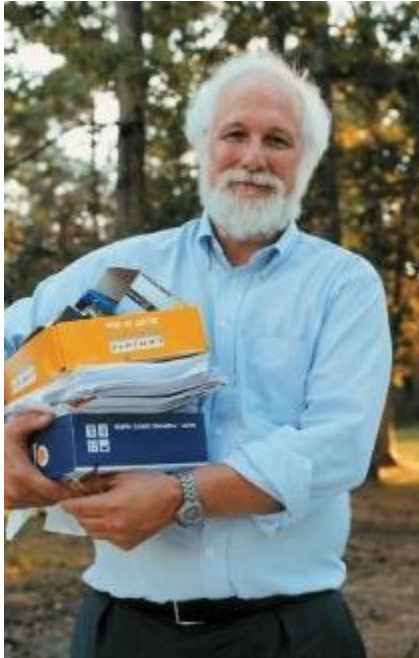
The event

At about the time operational control was passed from the regional subsidiaries to TDK, Wurtzen decided to send all the regional subsidiaries' managers on a one week executive training program in Fontainebleau, France.

A group of about 30 senior managers arrived on the campus on Sunday afternoon. That evening at the welcome dinner, the guest speaker was Director of Marketing for Cable & Wireless, a British telecommunicates operator with interests mainly in Asia. His brief from the program organizers was to "rattle their cage". Perhaps cultural differences were to blame, but the effect was not as motivational as had been intended; most of the TeleDanmrk managers felt angry and insulted.

Monday morning therefore was going to be difficult. Here were a group of senior managers, 'forcibly' removed from the nexus of decision making in Copenhagen,

wondering which among them would be returning to find they no longer had a job or that their responsibilities had been significantly curtailed. On top of that, they had been told the previous evening by C&W's marketing director that in the deregulated market that they would be dealing with the next year, C&W "would eat their lunch". There was a sense of rebellion in the air.



To help calm the waters, a very experienced member of the faculty was asked to run a session after mid-morning coffee. Professor Michael Brimm (pictured right) walked into the lecture hall, and began very gently asking TeleDanmark's managers about their business, threats and opportunities, strengths and weaknesses. Gradually he led the audience to this key question; "what do you think are TDK's distinctive competencies"?

The answers he elicited centered, unsurprisingly, around the expertise of TDK's telecommunications engineers. Then he asked this question: "when was the last time one of your engineers was head-hunted by another company"?

The room fell quiet; no one could remember any of their engineers ever being head-hunted. As far as any of them could recall, it had never happened.