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**Sol Trujillo of Telstra and
Jim Goodnight of SAS:
leaders who focus on
customers' needs as the
world changes faster**



Global business leaders Sol Trujillo of Telstra and Jim Goodnight of SAS met in London to discuss the challenges of leading high-performance organisations in an era of rapid transformation. What customers want and need comes first, both agreed

Leaders must focus on customers' needs as the world changes faster

In a global marketplace, companies of all types and sizes face new challenges — and need visionary leadership.

The challenge is about evolution: how companies evolve in their marketplace. In a competitive world, they must change or perish.

And that means company leaders have to express a vision of how they will transform their companies in order to compete in this fast-changing global market. They need to communicate that vision to their staff, their customers, their suppliers and business partners and their shareholders, and lead them all through the transformation.

More than 800 industry leaders gathered in London in April to hear two of the world's proven experts in company transformation share their ideas about the realities of doing business in the 21st century.

Sol Trujillo, CEO of Telstra, has led the Australian telecoms operator for the past three years. "We've been making a change from a company that is government owned, regulatory focused, to one that is customer-focused," he told participants at the London conference of the Premier Business Leadership series, organised by SAS in association with BetterManagement.com.

He took part in a panel on leading the high-performance organisation with Jim Goodnight, founder and CEO of SAS, who has led the company through 32 consecutive years of growth and profitability. Revenue is now \$2.1 billion.

Delegates to the event — held at the newly transformed Wembley Stadium in north London — represented industries from across the world including telecommunications, banking and insurance, manufacturing and transport as well as the public sector.

What customers need

Trujillo, formerly CEO of US West and then of the Orange mobile phone group before moving to Telstra, said that the culture in Telstra is now "around what customers need".

Goodnight pointed out the importance of analytics in this process — although that is creating challenges for handling and storing data in a world where, according to IDC, data volumes are reaching 260-300 exabytes, more than the storage capacity currently available in the world.

He offered a solution, which SAS has been applying in its business with banks and other financial institutions.

"As they process hundreds of thousands of transactions", said Goodnight, SAS uses its innovations to concentrate those huge volumes of data down to just

the essentials that are needed for real-time business forecasting. "We're working with a number of banks and other companies on this," he said.

Trujillo agreed with Goodnight: "Analytics and real-time data use are imperative," he said. "We're moving to a real-time world."

Companies such as Telstra need to optimise the real-time relationship with customers as they move from a wired world to an environment in which they operate wirelessly, untethered, he said.

Today Telstra's market capitalisation is more than \$A50 billion, said Trujillo, but "two years ago most of the decisions were made around pleasing the regulator or the government".

With privatisation — the Australian government sold its final stake in the company in November 2006 — it is now a different business.

"When you have shareholders that own so much of the business, it's important to be clear that we don't get up in the morning to please a government or the regulator, we get up in the morning to please our customers," said Trujillo.

"So when the government or a regulator tries to tell us what we should do or not do, we finally started taking stands and saying this isn't what the customer wants, or this won't make returns on our investment."

And as part of that same process, Telstra has reorganised the business. "We've segmented our business," Trujillo told the conference. "Culture is driven around what customers need."

He agreed that "there's always tension between the old way and the new way", but added: "People can always draw conclusions on their own about what's right and not right."

Though SAS has not had to make the transformation from a government-owned corporation in the way that Telstra has, Goodnight had a similar story to tell. "We've tried to focus our innovation more towards what customers actually want or need," he said.

"If you build a product that customers actually want and need you're going to be successful."

Speed of competition

It's clear, the conference heard, that corporations have to work in a very different world now from the one that existed even a few years ago. In the past it took years to get a new product on the market — but today the speed of competition means that companies have just months to develop and offer new products and services.



Telstra's Sol Trujillo, left: change from regulatory focus to customer focus. Jim Goodnight of SAS, right: focus innovation towards what customers actually need

And it's one world, with one giant marketplace, with competition coming from everywhere. Statistics show how many companies from China, India and Brazil are now listed among the global leaders.

As a result, the demands on business leaders are even greater than in the past. "There's a new paradigm that's emerged and is emerging," said Trujillo.

He explained how he has led the transformation of Telstra over the past few years. "Innovation isn't just about new products and services. It's about process changes, about doing things differently, that includes things like taking costs out and reducing cycle times," he said.

"I'll give you an example about something we've been doing at Telstra. When I got there we had been losing market share for 10 years in a row, and our competitors had been gaining market share. We had to change the game."

One of his priorities was to ensure that Telstra had a 3G mobile network to allow it to compete with the other companies in the Australian market. But under Trujillo's leadership, Telstra went about this in a completely unprecedented way.

"We made some choices about innovating around technologies: we were going to build a nationwide network in one year."

Three years in one

That meant ensuring coverage across an area of 20 million square kilometres, he added. "Australia's a country about the size of the US mainland. No one in the world has done anything like that in less than three years."

How do you take a three-year process and make it one? "That was the fundamental question," said Trujillo.

It meant Telstra had to focus on "innovation around operational processes, innovation around the channels, and innovation around the technology," he said.

"Innovation comes in a lot of flavours. It's not just about new products and new services, it's about the operations and innovating around everything."

And it worked. Telstra's innovation was so successful that the company beat its own expectations and built its nationwide 3G network in only 10 months. Then it went one better: it was turned on, nationwide, in only one day. That, too, had never been done before.

The results have been tremendous. Telstra's customers now get 14.4 megabits a second data speeds into their phones, their PDAs or their laptops. Just as importantly, it is "a real-time experience", said Trujillo, so customers are now used to superb coverage and to the service being always on and giving instant response.

The technology is the same as other operators offer around the world. Trujillo himself was head of Orange when it was one of the first to roll out 3G services, and "3G was kind of a yawn", he recalled: "Lots of hype, billions of dollars spent but not a lot of differential value to consumers."

Now Telstra's customers are used to using the services and applications without enduring that 10, 15 or 20 second wait that is needed for many other mobile data services. "It's not about the technology. It's about the end to end customer experience." And

NextG — as Telstra brands its 3G network — is going to speed up further, to 21 megabits a second later in 2008, and then to 42 megabits in 2009, said Trujillo, and eventually to so-called 4G levels of around 100 megabits.

As a result, Telstra customers are spending on average \$20 a month each more on services than are those who are still connected to the 2G mobile network. “No other company in the world that I’m aware of has achieved that,” said Trujillo.

Management of innovation

Management of innovation, in order to create such results, is a highly skilled discipline, says Goodnight. Customer awareness is crucial, and that is a principle he has applied in SAS.

“You can’t just tell your development staff to go and innovate,” he said at the Wembley conference. “They will produce a lot of technical things that are not useful.”

He asked: “Do you remember in the dotcom days when people were creating websites that did everything imaginable in the world, except things that people actually needed or wanted?”

He told the 800-strong audience that sometimes SAS sets competing development teams onto a project. “That does happen occasionally,” he said. “Internal competition spurs each team on. We don’t do it on every project.”

The cycle time for investment in research and development is speeding up. And the priorities have changed. Smart companies have to optimise the business, but it is important, when they take costs out of the business, that they know precisely what they’re doing.

Trujillo told Goodnight and the Business Leadership conference that when he started at Telstra “we were a company that had virtually zero growth at the top line” and expenses were high. “We had to find ways to grow,” he said. “The way to grow is to innovate.”

Many believe the trend in the telecommunications industry over the past few years has led to increased commoditisation of data capacity. “Everything is about pipes,” said Trujillo. There was “no perception of value add”.

So he set his teams to “innovate and change that perception”, with the aim of enabling Telstra to “differentiate against those we compete with, to capture the dollars in the marketplace”.

At the same time the company had “to innovate around cost structures, and to innovate essentially so you’re always creating more value”, he said. “That’s what’s happened at Telstra.”

The business leaders in the forum at Wembley considered the challenge of finding the right teams to innovate.

Student numbers

Goodnight pointed to the geographical change in the world of creating the human resources for innovation.

“Just look at the sheer number of students who are graduating from college,” he said. “In the US last year it was 1.3 million graduated from college. India had 3.1 million, China had 3.3 million.”

That will inevitably mean that “innovation has to flow in the direction of the educated population”, he said.

“It’s the sheer numbers of students that they are producing in those two countries and in the rest of Asia.”

Trujillo told the 800 business leaders at the conference that Telstra has invested heavily to ensure its staff are able to adapt to the IP world. “We spent \$200 million retraining our workforce. We now have to change, and retool everyone. In some cases you invest in R&D and other cases you invest in your people, so they fit with your strategy.”

Goodnight explained how he has endowed the Cary Academy, an independent school in the US for 11-17-year-olds. “Every child has their own tablet computer.”

In a world where students go home to play with MySpace, YouTube, iPods and Xboxes, at school they still have to “watch a teacher at a blackboard teaching them the way they taught us”, said Goodnight. “It hasn’t changed. It’s a government monopoly for the most part and they don’t have to respond to consumer needs.”

The US education system is 100 years old, said Goodnight, “and the current generation of kids is very bored with our system. Quite a few are dropping out.”

A modern economy can’t use people who have dropped out of high school, he told the Wembley audience.

“The really high-tech, high-paid jobs are going to have to move. Jobs can very easily migrate. Virtually every company has R&D facilities in India and it’s far simpler to let these jobs go where the people are.”

Trujillo agreed with Goodnight, up to a point, but paid tribute to the innovative energy of the western economies, including the US.

“A very strong economy is aided by educated and not so educated,” said Trujillo. “Smartness is not whether you have a PhD or not.”

But he accepted that many students from China, India and other countries who would once have gone to university in the US are now going to Australia. “They learn English, they learn a lot of the western business policies. They’re welcomed,” said Trujillo.

“It does make a difference. There is a very strong economy overall in Australia and investment going to Australia because of some of those policies.”

Political stalemate

There is a political stalemate on this in the US, said Goodnight, and the country is restricting the number of foreigners who can come into the country to study. “We are reducing the number the bright intelligent people that are allowed into the US,” he said. “The US has its head in the sand. It won’t change for years to come.”

Meanwhile they both agreed that the aim of those leading high-performance organisations is to plan for the future — “to go where the puck is going to be”, said the ice hockey enthusiast Trujillo.

“We have to do the research today in order to capture the value that everybody’s going to be willing to pay for. We’ve been doing lots of research trying to find what it is the customers are wanting to do three years, five years, 10 years from now,” he said.

Analytics is crucial to that, he repeated. “You have to have some data, some facts, but then you apply judgement. You have to create an energy in the organisation which allows people to do things.” ■