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Chapter 1. An Uncommon Turnaround

In my quest to find examples of companies that were consciously working to energize the human spirit as well as the mind, I visited Toronto in January 1998 and met over breakfast with the CEO of a small company. After he shared his vision of the role of human spirit in successful companies, his face brightened, and he said, “You know, you really should meet Bill Catucci. Bill is CEO of AT&T Canada Long Distance Services. He’s done just what you’re talking about. But you won’t meet him this trip because today is his last day. He’s retiring today.”

After breakfast, Don and I walked to his office building. We happened to run into Bill Catucci as he was walking through the lobby. Don introduced us and turning to Bill, said, “I told Dar he needed to meet you. He’s writing a book about just the kind of inspiring, humanistic management approach that you have used. I know he’d like to hear about what you’ve done here.”

A tall, large-framed man with an engaging smile, Bill greeted me with the contagious enthusiasm and warmth of a man enjoying life. I anticipated a short exchange of pleasantries and then he would hurry off to stay on his undoubtedly busy last-day schedule. He responded before I even had time to think about how I might contact him later. “Sure. What better day than my last day on the job! Come on into my office.”

Entering his office, I wondered how he had time to meet with a complete stranger. I said I did not want to impose on this important day.

“I purposely kept the schedule open,” Bill replied. “Schedules too often become a trap for CEOs. So many CEOs cram their schedules full. It’s like a Linus blanket. It makes them feel important. Plus, it can be threatening to have spare time. CEOs should allow empty places in their schedules for unexpected things. I make sure I have large blocks of unscheduled time to meet with people on short notice or to deal with issues of the day, rather than be trapped in schedules.”

Immediately I was intrigued. Emboldened, I asked him about the company.

He started, “It’s a long story with lots of components,” then launched into a description of the exciting three years that were just ending. “First you have to understand what shape this company was in when I got involved. Unitel was losing a million dollars a day. Its strategy hadn’t been working. It had lost market share. Its costs were eating it alive. Its quality was inadequate. Its customers were leaving. Its top sales people had left. The management team had mostly left. And, I discovered not surprisingly that the morale of the 3000 remaining people was in the pits. The several companies that owned this company had been at odds with each other. The strategy kept changing. And the CEO position had been a revolving door.

“That’s what I inherited. I called it a ‘company in trauma.’ But now, three years later, the company has excellent quality, strong customer service, greater market share, and is worth several times what it was worth three years ago – as valued by an outside financial company. And we improved employee morale in the process.”

“How did you turn it around?” I asked.

Bill described how the company was restructured, creating a new ownership structure and gaining an infusion of fresh financial capital despite gigantic losses and a weak industry position. Three major Canadian banks (Bank of Nova Scotia, the Royal Bank of Canada and Toronto Dominion), the company’s source of debt capital, had come up with more money and had converted some of their existing debt to equity.

He recalled the new vision he had created for the company, and how its Mission had attracted the talent and resources needed to fuel the turnaround, about how the company’s employees themselves defined the company’s values – and how they had found powerful ways to build those values into the fabric of the company’s decision-making and reward systems.

“What was the key to the turnaround?” I asked.

“It’s not one thing,” he replied. “It’s everything. You have to do everything. But it’s also about *how* you do it.” He pointed to the immense untapped wisdom and spirit of people within any organization, and the CEO’s responsibility to get people engaged, aware of how much they can contribute, and excited about helping the company succeed.

He described the governance system he created, which kept management focused on the strategic issues of the company and working in *collaboration* rather than in the kind of *competition* prevalent in most large companies. He shared the business measures he created, not just the traditional financial measures but also other equally important drivers of business performance that captured the health of the people side of the business.

He provided vignettes of employees getting turned on and empowered. He told of times when he teamed up with sales people to reach the CEOs of large potential clients. He described how they used crises as a way of focusing energies and turning adversity into advantage, and how they had used celebrations as a way to reinforce positive accomplishments and to empower employees.

Bill held up a folder of congratulatory letters several inches thick. “Some of these are from employees. Some are from their spouses. Some are from customers. Some are even from competitors and government officials. The question I have is *How will the people involved in this turnaround remember what has happened over these past three years? Sure, they see the results. But will they truly understand and remember how we did it? Or will the methods get lost in history, so that future leaders regress back to outdated management techniques?*”

Bill’s assistant, Alice, entered. Bill introduced us. She told him about the plans for his retirement reception in the lobby, and informed him that the legal department wanted to meet with him before that. I started to gather my coat and briefcase, but he motioned me to stay.

Alice left. Seemingly oblivious to the mundane issues of time scheduling, Bill observed, “This was my first CEO position. I always thought of myself as a *contrarian*. The stock answers and approaches never were enough for me. Down deep, I really *did* know that a whole new approach to leading a company would work. So much of it has to do with empowering people. With all the talk about technology, business strategy and high finance, it’s so easy for CEOs to lose sight of the fact that it is *people* who make the difference. How simple it really is. But it takes more than *knowing* it, or *talking* about it – it takes *doing* it!”

Several times, phone calls interrupted our conversation, as people called to wish him well. One came from the leader of the company’s union. After Bill finished, he explained that when he had come on board as CEO the union had intense resentment toward and mistrust of the company. “I inherited 3,000

grievances. Working with the union was one of many things I had to do for the company to succeed. And you know what? Now they want *me* to be their candidate for CEO of another company that has major problems working with their union!”

Members of the legal department then filed in. They took out small pieces of paper and read a poem in tribute to their boss. I could see Bill drinking in their warm appreciation and radiating it back to them. This heart-felt interchange of energy was over in a moment, but the image lasted in my mind. He thanked each one of them as they left.

Afterwards, Bill commented, “This is why people work together – to accomplish important goals together and to share moments of appreciation for the years of mutual respect and collaboration. You know, after today, I will likely never again see most of the people of this company. That’s a hard thing to acknowledge.”

The time flew. I said to him, “This story of what you have done here has to be told. It’s so inspiring.”

“But it’s not a story about *me*,” Bill replied. “It’s a story about how a *company* can be turned around, if you focus on what’s important and you involve people in the right way. It’s a story about a different kind of leadership from the traditional approaches to running a company. It’s a story about the turnaround of *people*, because ultimately the people *are* the company.”

“What were the results of all this?” I asked.

“We built a far stronger telecommunications network,” Bill responded. “We introduced new products. We improved product quality and customer service. Eventually, we were able to put the AT&T name on the company – the first time AT&T ever put its name on a company it did not wholly own. We won back customers who were leaving us, and attracted other customers who had become entrenched with the competition. Our market share increased. We reduced losses dramatically and the value of the company grew several fold.”

SIDEBAR

In late November 1997, two years into the turnaround, the Yankee Group, an outside firm that AT&T Canada had hired to do a thorough analysis of the company generated a “report card” on AT&T Canada.

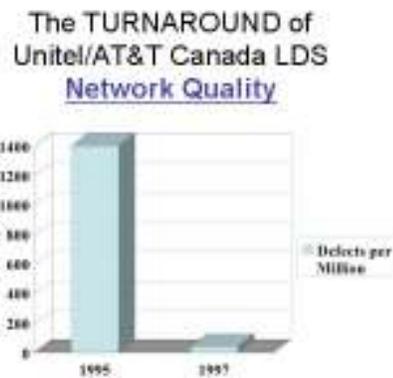
The chart shows how The Yankee Group rated Unitel at the start of the turnaround and then two years later

Overall Results: Yankee Group Report Card

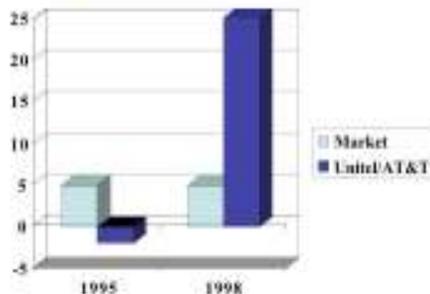
Performance Objective	Level of Performance	
	Prior Grade at start	Rating after two years
Improve Quality	F	A
Streamline Operations	F	B+
Improve Morale	D-	B
Improve Customer Satisfaction	C-	B+
Improve Financial Performance	C	B+
Move towards Profitability	F	A+
Change Market Perception	D+	A
Overcome Ownership Uncertainty	C	A
Overall Grade	D	A-

END SIDEBAR

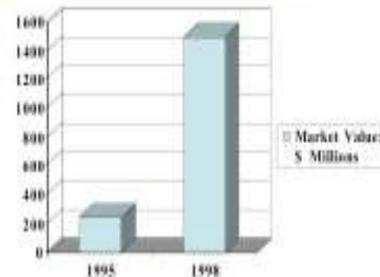
Improved network quality and improved customer service led to increased customer satisfaction, market share – and to financial performance.



The TURNAROUND of
Unitel/AT&T Canada LDS
Revenue Growth



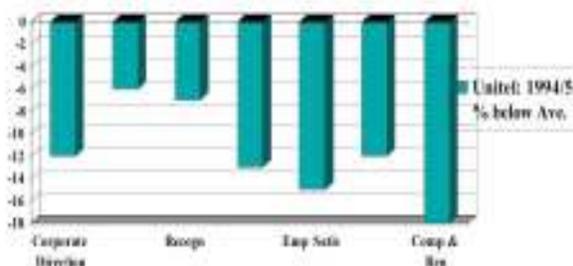
The TURNAROUND of
Unitel/AT&T Canada LDS
Market Value of the Company



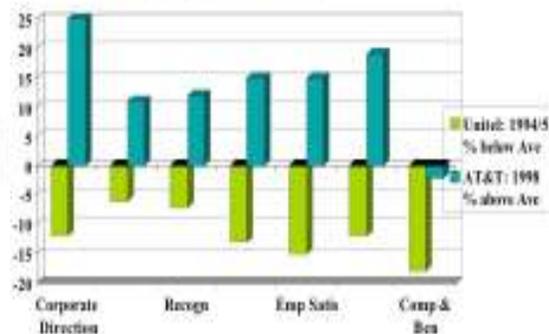
Annual % REVENUE GROWTH

“One of the most important things we did was rebuild employee morale.” Bill put in front of me some charts from the survey of employees’ opinions on a wide range of topics, including their level of respect for the company’s management and their level of satisfaction and commitment¹. “These were developed by the Hay Group, a human resource consulting firm that tracks 500 North American companies. See, we were way near the bottom three years ago. Here’s how we increased each year,” Bill enthused as he pored over the report with me. “By our third year, we were above the top 10% of the companies on just about all categories.”

The Sorry State of Unitel
Employee Morale: 1994/5



The TURNAROUND of
Unitel/AT&T Canada LDS
Employee Morale: 1995->1998



¹ Survey categories included employees’ feelings about: corporate direction, communications, performance management, performance emphasis, job stress, recognition, training & development, management style, management image, employee involvement, supervision, employee satisfaction & commitment, operating efficiency & productivity, commitment to employees, quality & customer survey, and compensation & benefits.

“This is an amazing story,” I observed. “It starts from a company that is weak from so many perspectives, and proceeds to a company that is strong on many fronts, in just three years. Other company CEOs would pay big bucks to get that kind of employee morale and commitment.”

“But often they don’t focus on that,” Bill replied, “so they don’t get it. They view it as something nice to have, but expendable when it comes to the desire to increase profits. They don’t realize that it is one of the key drivers of business strength and profitability. When a company is so low in morale, how can it possibly compete with the leaders?”

“I don’t want to make this sound easy,” Bill continued. “It’s not. When I came here, the employees – those who hadn’t already fled to more stable employers – said to themselves, ‘Here comes another CEO from the States – our fifth in five years, What magic wand will he try to wave? And what clowns will he bring with him from the States? We’ll just sit here and watch this one leave after a few months too.’ That’s the reality. You don’t just come in here and say, ‘Everything’s going to be great, because I say so.’”

“So, how did you do this?” I asked.

“First of all, *I* didn’t do it. *We* all did it together. But as the CEO, you’ve got to lead, and that means first earning people’s trust. You’ve got to create a vision, then sell it. You’ve got to set the company’s values, and then live them – not just when it’s easy, but when it really matters. When you do that, then people begin to listen. They begin to get on board. And they begin to feel good about being part of a company that stands for something good, that is trying to be the best, and that values their employees. I wanted our employees to get up in the morning, look at themselves in the mirror, and say, ‘I want to go to work today because I believe in this company and what it stands for, and because I know what my role is in making it the best it can be.’”

Alice ducked her head into the office. “It’s time for your reception.” Bill got up and invited me to come with him. As we rode the elevator down to the lobby, we made arrangements to get together after his retirement. When the doors opened, Bill was swallowed in a sea of people.

The vast lobby was jammed with people. Hundreds of employees and well wishers turned to welcome their leader. Bill moved into the crowd. *Oh, my God. I didn’t expect this*, he thought. Hundreds clapped and cheered with warm smiles and bright faces. They were gathered yet again in this space for one of

many of the company's celebrations. Today they honored their leader. The company had indeed turned around, and Bill had been selected as a finalist for Canadian CEO of the year. Three years earlier, many of these people were about to lose their jobs. Now they had not only their jobs, but also the pride of accomplishment and the joy of working with colleagues they cared about.

Bill made his way across the lobby. The applause rose, continuing even after he reached the front of the lobby. The air was electric. I could imagine Bill feeling the genuine warmth of the people he had just recently described to me. His few prepared remarks now seemed inadequate. When Bill spoke to groups, he always tried to say something a little funny, a little self-deprecating, like “Only my mother feels quite this way about me.” How would he handle such an emotional moment? Could he find the right thing to say? How could any words be right in this situation?

Rick Waugh, the Vice Chairman of the Bank of Nova Scotia, the lead lending bank presented Bill with a plaque of appreciation signed by the chairmen of all three banks. Rick joked that such a scene was pretty much unheard of in the banking industry. In this case, he reminded everyone, the banks had been spared big write-offs, and had instead realized a several hundred per cent return on their investment in the company.

One by one, Bill’s executive team members came up to the microphone to say their words of thanks to the CEO who had led them from near death to a prominent position in the industry. Judy McLeod, the Senior VP of Human Resources pinned the ATT Canada service pin on Bill’s lapel. She said, “At the first meeting I had with Bill, we discussed implementing the service anniversary pins. It was Bill’s idea to make them, not mine. Then for the next six months, he bugged me to get a pin for employees who retire. Now I know what he was really up to. He was planning his retirement and he wanted one of these pins.”

Finally it was time for Bill to speak. Bill reached the podium and looked out at the people he had grown so fond of over the last three years. Three years ago, they were disillusioned and disheartened. But today, Bill felt the warmth and strength from their pride, their confidence, and their positive attitude. As he prepared to speak, an insight flashed through his body. *This is what I truly wanted out of my career. I had thought I was here just to turn a company around, but now I realize it was for more than that. The ultimate for me is to touch people, and make them better. These people in front of me, who were down and out three years ago, I have helped to feel better about themselves and what they can achieve, and have helped make them believers in themselves. That is enough.*

People quieted to hear their CEO speak to them one last time. “Usually I’m not at a loss for words...” People laughed. “...but this is a moment of mixed feelings for me. I’ve known most of you for at most only three years. Yet I feel I’ve known you far longer. We’ve had a lot of fun together making this company one of the best. And we did it a different way from most corporations. We truly went down the ‘road less traveled.’”

“When I first arrived here, I wanted to make Unitel the finest long-distance company in Canada. I now realize that I set my sights too low. With employees like you, you have not only made it the finest company in Canada, but in North America and around the globe. And I have our employee survey to prove it.”

“After three wonderful years, I will return to the US with a fuller appreciation of the greatness of this country and its people. And wherever I am, there will always be a place in my heart for the wonderful people of AT&T Canada.”

“You’ve got a lot to be proud of. This company is one of the leading companies in Canada. Who would have thought that possible just three years ago? One of the main reasons we are is because of the kind of people standing right here. I see people of integrity, people of good will, people who respect others, and people who truly care about customers. Keep vigilance about our values. Keep nurturing that spirit that we created together.”

Then it was over. But no one left. One by one, people came up to Bill to share a final moment with their leader. They shared memories and good wishes for each other. Each person delivered his or her words of heartfelt thanks to the leader they respected and liked, a leader who had helped them grow and contribute their best. People lingered, wanting to enjoy the good feelings as long as they could before they went back to their every day work.

Standing in the back, despite being an outsider, I could feel the genuine warmth and connection between the leader and the employees. Here was a CEO who had worn his heart on his sleeve and put his heart and soul into his work. Now, at this celebration, it was being reflected back to him. I thought about what Bill had shared with me just moments earlier, the obvious pride he took in what he did to revive an organization, the letters he received from so many people who thanked him for what he had done, and his desire for the methods of corporate revitalization to live on.

How had he and his organization pulled off this remarkable turnaround? And what were these new leadership approaches that he kept referring to?

Later, when we met to talk further about the story, Bill told me, “I think people should remember what we did here and how. It’s too easy for these things to fade in people’s memories.”

That is our purpose for this book: to awaken the memories and insights too often hidden deep within ourselves of what can be and how to do it.

Later in the book (Part II), we will follow the journey that Bill and his colleagues took of corporate and personal transformation – a journey that turned a company and its people into winners. But first in the next two chapters, we will look at why companies so often falter and fail to achieve the kinds of gains evident in the AT&T Canada turnaround, and then we’ll explore the five energies of highly successful companies like this one.

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