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ESMT Case Study

“Do you really think we are so stupid?” A letter to the CEO of Deutsche Telekom (B)

The response

On March 21, 2007 René Obermann send an email to all employees that was perceived in the public as a reaction to the email of the technician.

Dear colleagues,

There has been a very intensive discussion about the new strategy and the resulting measures during the last few weeks. This has also been reflected in numerous critical mails that my fellow board members and I have received. At the moment there is intense discussion about a letter that was written by a T-Com employee in Berlin and made public. This letter in many ways not only contains objective arguments and facts but is also letting off steam about the proposed changes. It is important to me that you know my view of things.

One thing first: Criticism is always welcome, even if it is very controversial. However, we should not overstep the limit into insults. This limit was overstepped on many occasions in the most recent letters. Let us deal with each other fairly, remain on a factual level and - above all - discuss things internally. The board will continue over the next few weeks to discuss with you on site.

To return to the points raised: One charge is that the Board has no commitment to the company. I dismiss this most emphatically. I have been in the Group for almost nine

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years and feel myself very committed to the company, its employees, customers and shareholders. The same is true of my fellow board members. It is only this commitment that makes us want to carry out the absolutely urgent reforms within the Group and makes us accept the fact that we will be publicly abused for it.

Our aim is to make the company successful again. We must do something about the negative market trend if we don't want to find ourselves without customers one day. For this it is vital to improve not only innovation and service quality but also the cost situation. If our aim was to make a quick buck, there would be plenty of much easier jobs. For my fellow board members and myself, this is a very, very important matter that takes up all our energy and time.

We are working for our market success with all our efforts, but no one can claim to be perfect. We are not doing this out of vanity or narcissism, but in order to increase corporate value, precisely in the interests of the staff. Because market and price developments are critical, we must reduce costs. The capital markets occasionally doubt whether we are also doing this in the personnel sector, and we often hear the demand for far more dramatic personnel savings.

Since we don't live off taxpayers' money but from customers, it is only the market price that can be our criterion. Our price difference to our competitors must not be more than a few percent, otherwise we will lose customers. And so we must offer competitive prices, which again presuppose a corresponding productivity and service quality. This has nothing to do with the willingness of staff to be committed. We do not doubt this at all - on the contrary - it is much more a question of efficient processes, better IT support and innovative products - but also of the labor costs per hour.

Seen objectively, whether we like it or not, our costs in some areas are up to three times the hourly costs that are charged by outside suppliers for comparable services. It is, incidentally, absolutely untrue to say that all the staff of the external providers are unqualified. What is true is that many of our staff have above-average qualifications. It is for this reason that we, through Telekom Service, want to retain as much work as possible within the Group instead of having to contract it outside. The alternative to our concept would be more outsourcing of work and an additional significant cut in staff, and this is precisely what we want to avoid!

Another charge is that we talk our service down. We cannot ignore the fact that every day there are many customer complaints about our performance. In particular, the facts such as availability, punctuality, problem solving at the first contact or waiting times in the T-Punkt are what they are: unsatisfactory. We are a popular topic of conversation in the bars of this country - it's now become fashionable to make fun of us. I am very concerned by this.

So let us acknowledge the situation and do our best in order to improve the most urgent issues quickly and at the same time address the structural deficits.

It does not help at all to say, as is often heard, that 'there have been numerous restructurings in the past, so let's leave things what they are.' We must develop perpetually in order to be able to make our customers offers that convince them in every respect. That is something that unfortunately we don't do very often right now. We are working on the changes need to alter this. From the social partners we only hear about what must not be changed—incidentally the same social partners who conclude

wage agreements with our rivals for exactly the same type of work as here, but for half the Telekom salary. This is something that no company can take for ever. Once again: we don't want to take away one half of anyone's salary, as has often been alleged in public. We want to take a combination of different measures, including an increase in working hours, to reduce the costs per hour. The customers do not pay for our cost deficits, nor does the government, whether in Bonn or in Brussels, take any account of it either.

I ask you to think about my arguments and to continue to seek dialogue with the management and the board. But this discussion should remain internal. You can be sure that I am fighting for a Telekom that is successful at both national and international levels, and that determines its own further development itself.

Yours,

René Obermann

The public response to the response

It took only few hours before Obermann's email was posted on the Internet, clearly labeling it as a "response." The reaction was manifold: *Spiegel Online* remarked that it was unique in the German economy that an email discussion of employees triggered the reaction of the CEO of a large enterprise. In general the majority of the comments continued to support the technician - readers posting comments in the online edition of *Süddeutsche Zeitung* remarked:

The letter of the annoyed and frustrated 'Telecomedian' deserves more than the very general response from the DTAG-Leadership [...].

user: ehcgn-05

The answer of Mr. Obermann is simply poor. ... With his response of being offended Obermann is exactly proving what the brave technician is denouncing: The executive floor of the Deutsche Telekom is one world; employees and customers of Deutsche Telekom have a completely different world; this is precisely what Obermann ought to change.

user: gejka

The response of Mr. Obermann [...] shows, that the employee was right. Mr. Obermann does not address the originator of the email directly, but just calls him a 'T-Com employee'. In contrast to this he speaks about his 'colleagues in the board'. Already the choice of words shows the deep divide between board and Deutsche Telekom. [...] The response letter shows two things: The board of Deutsche Telekom cannot afford to pay PR professionals. And the board of the Deutsche Telekom is really so far away from the employees, as it was alluded to in the first letter!

user: JoJoGerstne

Telekom is like the rest of today's economy—'high potential' manager, that do not owe their career to experience and expertise, that learn already in their parents' house and later at the 'elite' university or 'business schools' how to adapt their social behavior, to

become general manager at 28 and to be board member at the end of 30. These guys sell themselves just like prostitutes on an annual basis to the highest bidding company, moving from one to another just to repeat their text book knowledge and their trendy phrases. They see themselves as 'elite', but in reality they are just talkative losers. Just 'excellent communication skills'—that's what they have! They sit nowadays everywhere at the top of the economy and have ruined Germany in the last 20 years—and they will continue to ruin Germany until the system collapses. Also because these guys unscrupulously sell off technologies and inventions abroad—using the cover of trendy phrases that we are all familiar with: 'globalization', 'competitiveness', 'cost reduction', 'shareholder value', 'profitability.' [...] But they understand nothing of products, technologies and customers. Good night Germany.

user: kirchsth

There were a few comments that showed sympathy with DT's board, criticizing the author of the original mail. Thus, one reader criticized the tone of the letter from Berlin; the 'public bashing' of DT's board was seen as sign of a 'changing cultural world'. The T-Com employee from Berlin was said to have shown little respect while overstating his own and DT's performance. "I just know that I had many problems with Telekom-employees, within the company itself as well as in the T-Com shops. Unreliable, unfriendly and incompetent", wrote one reader. "Telekom is far from its customers and an incredibly unorganized chaos-shop," wrote another.

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