

GTE Government Systems Mobile Subscriber Equipment Division

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The government systems division is going through a good deal of change as the government changes the way it does its business and is cutting its expenditures. There are many questions around the issue of what the organization should do and how it should structure itself for the future.

Background and Issues

GTE is a multinational corporation renowned for leadership and innovation in its three core businesses: telecommunications, lighting, and precision materials. Boasting in excess of \$17 billion in annual sales, GTE employs more than 158,000 employees world-wide.

Under this corporate umbrella stands GTE Government Systems - a pioneer in the advancement of Command, Control, Communications, Computers and Intelligence in the Federal Government. From its earliest work with radar and countermeasures to its contribution to today's tactical telephone and satellite communications, GTE Government Systems has always been an innovator. GTE Government Systems is divided into three sectors, representing ten divisions. Each division represents a major product line, or a collection of related products, and the expertise to develop these products. The Mobile Subscriber Equipment Division (MSED) was formed in 1985 when GTE Government Systems won the largest U.S. Army contract ever awarded: development of a multi-billion dollar mobile telecommunications system. This system operates much like today's cellular telephone system, with the exception that there are no fixed antennae sites nor permanent buildings to host the cellular switching centers.

Although the division, based in Taunton, Massachusetts, is fairly young, most of its personnel and all of its policies and procedures were taken from the nearby, thirty-three year old Communications Systems Division. Thus, the division could take advantage of a mature, well-exercised development process, and an experienced management. When the division expanded in 1987 by opening remote facilities in Research Triangle Park, North Carolina, New Jersey, and Alabama, experienced management from within the division was transferred to these newly established locations.

The contract which established MSED was won during the Reagan era, when the Department of Defense (DOD) budgets were flush with money and contract award amounts staggered the imagination. Also, there did not seem to be an end to this era, and thus future contracts would be assured, as long as adequate performance was performed on current projects. It was with this spirit that MSED began its scheduled ten year development program. During the last few years, several smaller related programs were spun off from the parent contract. These related programs were based on technology discovered as a by-product of developing the hardware and software. Examples of these products include tactical facsimile terminals for sending maps and battle plans, and quick-erecting antennae mast systems. However, with minor exceptions, no additional dollars have been spent on research and development of new products, partially because no additional staff was available to perform this research, and partially because the business plan for this division, clearly specified in a 150 page bound docu-

ment, is to support the government contract for which it is named, as opposed to furthering technology or chasing after new contracts.

The environment in which MSED now finds itself is vastly different than what it once was. As the division winds down from its one major ten-year contract, it struggles to defend its turf of products related to military tactical communications. With no new development close to maturity and no new products to offer, marketing people find it difficult to sell the division's capabilities. Just a few years ago, a potential for another major contract to take up the slack was almost assured. Today's DOD budget has caused every defense contractor to aggressively seek what is left of the remaining contract allocations.

The general manager of the division, Bernie Resnick, appreciates the predicament which the division is currently in and has started making some changes to the functional structure to accommodate the uncertain future. One major change is the addition of a function—Business Acquisition and Development. Fred Susi, a GTE employee of over 20 years, was given the responsibility of heading this function to develop new business leads. Once a lead was established, as long as the prospect fits within the business plan, the Special Projects Office would be responsible for researching the technology, providing subject matter expertise to the marketing staff under Mr. Susi, and developing hardware and software prototypes. If a business lead turned into a contract, then the engineering function, in which the majority of the over 1000 employees in the division work, would take over the project, freeing the marketing staff to further pursue new business.

To date, this strategy has not generated any new leads. Although the marketing staff was prepared for a tough market, they are still thinking too big for today's shrinking military. Talk of cutbacks and layoffs are rampant throughout the organization, and threats of closing down the remote facilities are becoming more frequent.

Analysis

One of the reasons for the rumors is that employees do not see a well-defined future. They do not see new products being developed. They do not see the state of the art in developing military software systems being advanced. And they are correct in their perception. The division's current 1992 independent research budget is \$5.4 million, or 2 percent of the division's yearly sales income. This is low even by defense contractor standards. The marketing budget, in contrast, is approximately 30 percent. This is indicative of an organization spending great sums of money defending its current position, and ignoring new product development. This will cause problems not just in 1992, but in 1993 and beyond when the marketing staff still have no new products to sell, and no new technology to promote.

Clearly the division needs to break out of this defensive strategy if it wishes to have any future business. However, it should not, and it can not, give up its core business. An analyzer strategy is well-suited to provide the flexibility necessary to open up new markets, while still maintaining stability in its main product. To do this, the division will need to undergo some changes.

Currently, the division is dedicated to the development of a single product line. MSED is primarily an engineering organization. A large majority of the 1081 employees are professionals, with several engineers holding post graduate degrees. Frequent management reviews, from personal performance reviews, to department reviews and project reviews are ingrained into every engineers work habits. Functional managers are actively involved in all decision making, including strategic and long-range decisions, as well as operating procedures on a month-to-month basis. Decisions regarding personnel, especially in terms of promotions, and assignment to projects, are made by line supervisors, with final approval resting with upper management.

This part of the organization, with its medium levels of centralization, formalization, and complexity should be maintained. An adaptive, less formalized, less centralized organization should be developed within the division to provide the flexibility which stimulates innovation.

Questions for Consideration

1. Are there any strategic misfits? What should management do about them, if anything?
2. Do a delta analysis where Government Systems has a prospector strategy? What are the implications for change? Should Government Systems undertake a prospector strategy?
3. Examine carefully the current formalization and the recommended formalization. Is there a difference? Explain how Government Systems evolved to its current level of formalization.
4. Examine the centralization for Government Systems.
5. Prepare a managerial plan for Government Systems.