Pm profitel inc and minimal competition

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As a formerly government-owned telephone monopoly, Profitel enjoyed many decades of minimal competition. Even today as a publicly traded enterprise, the company's almost exclusive control over telephone copper wiring across the country keeps its profit mar- gins above 40 percent. Competitors in telephone and DSL broadband continue to rely on Profitel's wholesale business, which generates substantially more profit than similar wholesale services in many other countries.

However, Profitel has stiff competition in the cellular (mobile) telephone business, and other emerging technologies (voice- over-Internet) threaten Profitel's dominance. Based on these threats, Profitel's board of directors decided to hire an outsider as the new chief executive. Although several qualified candidates expressed an interest in Profitel's top job, the board selected Lars Peeters, who had been CEO for six years of a publicly traded Euro- pean telephone company, followed by a brief stint as CEO of a cellular telephone company in the United States until it was acquired by a larger firm.

Profitel's board couldn't believe its good fortune; Peeters brought extensive industry knowledge and global experience, a high-octane energy level, self-confidence, decisiveness, and congenial yet strongly persuasive interpersonal style. He also had a unique " presence," which caused people to pay attention andrespecthisleadership. The board was also impressed with Peeters strategy to bolster Profitel's profit margins.

This included heavy investment in the latest wireless broadbandtechnology(for both cellular telephone and computer Internet) before competitors could gain a foothold, cutting costs through layoffs and

reduction of peripheral services, and putting pressure on government to deregulate its traditional and emerging businesses. When Peeters described his strategy to the board, one board member commented that this was the same strategy Peeters used in his previous two CEO postings. Peeters dismissed the comment, saying that each situation is unique. Peeters lived up to his reputation as a decisive executive.

Almost immediately after taking the CEO job at Profitel, he hired two executives from the European company where he previously worked. Together over the next two years they cut the workforce by 5 percent and rolled out the new wireless broadband technology for cellphones and Internet. Costs increased somewhat due to downsizing expenses and the wireless technology rollout. Profitel's wireless broadband subscriber list grew quickly because, in spite of its very high prices, the technology faced limited competition and Profitel was pushing customers off the older technology to the new network.

Profitel's customer sat- isfaction ratings fell, however. A national consumer research group reported that Profitel's broadband offered the country's worst value. Employee morale also declined due to layoffs and the company's public image problems. Some industry experts also noted that Profitel selected its wireless technology without evaluating the alternative emerging wireless technology, which had been gaining ground in other countries. Peeters' aggressive campaign against government regulation also had unintended consequences.

Rather than achieving less regulation, criticizing government and its telecommunications regulator made Profitel look even more arrogant in the

eyes of both customers and government leaders. Profitel's board was troubled by the company's lacklustre share price, which had declined 20 percent since Peeters was hired. Some board members also worried that the company had bet on the wrong wireless technology and that subscription levels would stall far below the number necessary to achieve the profits stated in Peeters' strategic plan.

This concern came closer to reality when a foreign-owned competitor won a $1 billion government contract to improve broadband services in regional areas of the country. Profitel's proposal for that regional broadband upgrade specified high prices and limited corporate investment, but Peeters was confident Profitel would be awarded the contract because of its market dominance and existing infrastructure with the new wireless network.

When the government decided otherwise, Profitel's board fired Peeters along with two executives he had hired from the European company where he previously worked. Now, the board had to figure out what went wrong and how to avoid this problem in the future. Questions: 1. Which perspective of leadership best explains the problems experienced in this case? Analyze the case using concepts discussed in that leadership perspective. 2. What can organizations do to minimize the leadership problems discussed above?