Michael Sabia's scorecard

Mark H. Goldberg
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A few years ago, during the question period at BCE's annual general meeting, a representative of Bell's operator union was interrupted as she stepped up to the microphone and began her question with the words, "Mr. Sabia? "

The CEO stopped her right there. He insisted that she call him "Michael." She started again with "Mr. Sabia." "Please call me Michael."

Was this just a tactic? Perhaps. The charm was effective in diffusing some of the hostility and he instantly disarmed opposition perceptions of management arrogance.

This anecdote sheds light on Sabia's track record since becoming CEO in 2002 --a record under scrutiny, given the current discussions that could lead to the privatization of BCE. Such scrutiny is routine when companies are put in play, and it is not uncommon to hear claims that shareholder value has been left on the table.

Let's take a look at the Sabia scorecard from another perspective.

When Michael Sabia took the helm at BCE five years ago, he inherited control of a company that had confused convergence with divergence.

Previous leadership seemed to have made investments in anything that was in any way related to communications -- such as the rights-of-way associated with Trans-Canada PipeLines Ltd. Some of these investments, like Teleglobe, were complete disasters.

Others were more steady drains, using cash from Bell's lucrative former monopolies in local services. Shareholder returns were moved to the backburner as BCE sought to strike gold in monetizing converged telecommunications business opportunities, as the management consultants like to call them. These gambling losses demonstrate just how rich the former monopoly could have been when one considers the amount of money that was flushed away. Money that could have (and likely should have) funded a bold and aggressive fibre-optic access plan.

When he took over as chief executive, Michael Sabia drafted a list of priorities to return Bell to its roots. It was a big list. Identify and shed non-core assets, such as Telesat and Bell Globemedia. Reorganize and simplify Bell's cost structure.

The first step was to sell its directories business to fund regaining full control of Bell Canada, which was partly owned by SBC (now AT&T).

Rather than divest other assets in a fire sale, Bell nurtured them to yield better-than-expected sale prices and to maintain terms to ensure continued access to the content it needed from Bell Globemedia and assurance of the carriage required on Telesat.

CGI and Emergis were other divestments made in a controlled manner. Some might even say in a compassionate manner, with consideration given to what happens to employees and the buyer. BCE management might be criticized for not being as ruthless as its shareholders might prefer. As CEO of Canada's most widely held company, and as a former senior civil servant in the Privy Council Office, Michael Sabia may be more cautious with human factors than the average corporate leader.

It is fair to ask: What was the cost to shareholders of Sabia's strategic direction? On New Year's Eve, Dec. 31, 2005, three friends decided to each invest $1,000. One put it all into Bell stock. One bought Telus shares. One played it safe and bought a GIC yielding just 3%. At the end of the year, the friends compared notes. Surprisingly, the Bell shareholder had gained the most, beating the combined returns of the other two friends.

And these profits are before the recent run-up in BCE stock driven by the potential for privatization.

Telus and Rogers shareholders have witnessed dramatic growth in their portfolios, leaving as a distant memory early 2002, when both stocks lost two-thirds of their value.

Telus and Rogers have produced great returns for their shareholders. Bell has been steady in getting its house in order while never stopping its payment of dividends, and is in fact steadily increasing them. We can debate if this is an appropriate time for steadiness; the dynamics of the changing communications landscape may call for bolder, riskier approaches.

Many years ago, I went for dinner as part of a job interview. As we were escorted to our table, I noticed a napkin falling from a loaded tray being carried by a busboy. I bent over, picked up the cloth and handed it to him. Years later, I was told that simple act won me the job offer.

I suspect that you can learn a lot about human nature by examining the way an executive treats people at the bottom of the organization.

At this year's AGM, when you call on Bell's CEO to debate more aggressive plans for fibre to the home, just remember to call him "Michael."

--- - Mark H. Goldberg is president of Thorn-hill-based Mark H. Goldberg & Associates Inc., a telecommunications industry advisory firm, and co-founder of The Canadian Telecom Summit.