

Earthlink

A Business Transformation Case



INTEGRATE
YOUR PEOPLE



ALIGN FOR
SUCCESS



TAKE ACTION
TOGETHER

EarthLink has a mission to keep their customers connected and businesses empowered through leading-edge managed IT, network and cloud services that deliver the superior and secure experiences that their customers value and trust. With over 3,000 employees responsible for managing 1.2 million plus customer relationships, EarthLink has proven over its almost 20 years in business that it is committed, first and foremost, to the customer experience. Beginning as a consumer internet service provider, EarthLink has grown into a full business solution provider, with additional services like IT support, network, data and voice services.

The Business Challenge

Prior to the internet boom, EarthLink had seen great success as an internet service provider (ISP) with little competition. However, as more and more providers came onto the market offering a wider array of services in the early two-thousands, the company realized they had to expand their offerings to remain competitive.

In 2005, the company launched several strategic growth initiatives to respond to competition, but by early 2007, those initiatives weren't working to help grow the company. In response, they backed out of these initiatives, retreated to their core offerings and focused on the customers they currently had and on optimizing cash flow. They needed to figure out what was next for the company and what their future held – even if this just meant a return of capital.

Transformation and Re-Entry

EarthLink realized that they needed a business transformation – they needed to move from being a consumer ISP company to a company that provided a full array of business solutions (cloud services, network, data, voice services, etc.). In order to make this transformation, the strategy was to acquire a range of companies that would allow them to provide the vast array of offerings to business customers to compete and excel in the ever-growing market.

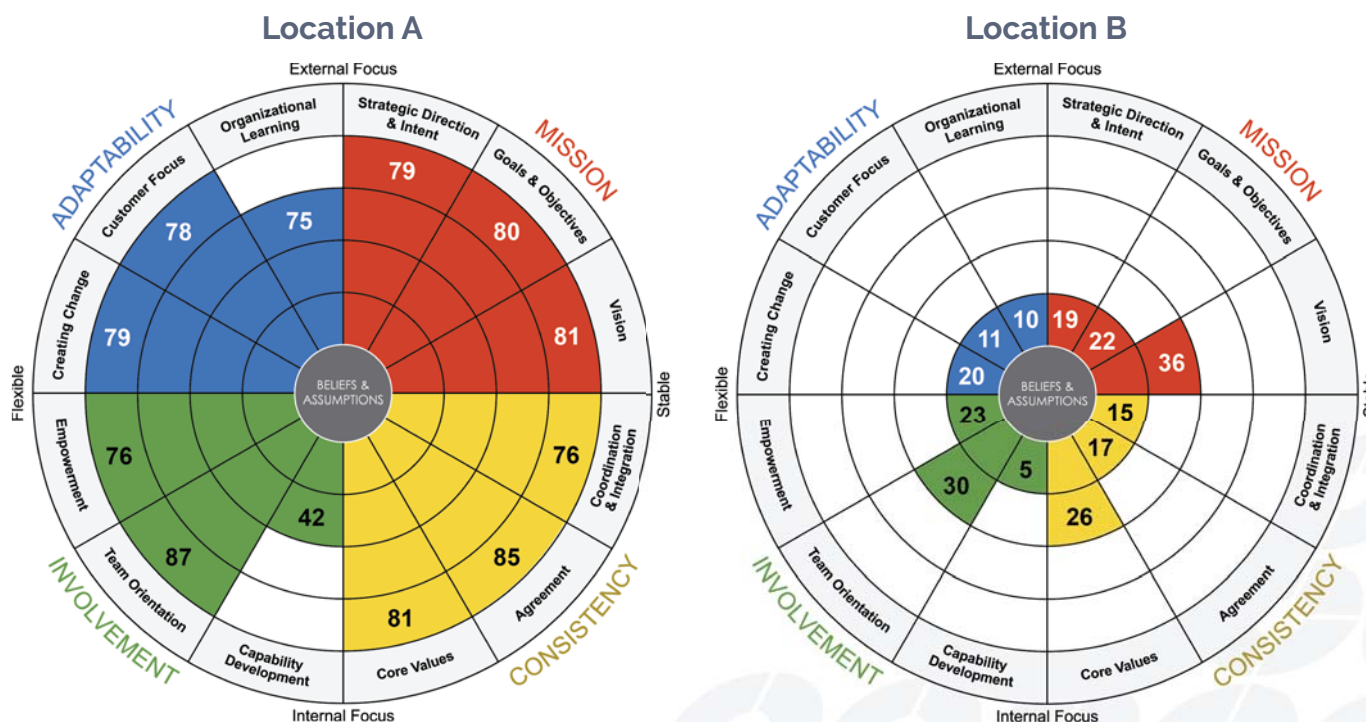
2002	2007	2010	2011	Today
Growth / Profitability		Retreat & Optimize Cash		Transformation & Re-Entry
Year	2003	2009	2011	
Revenue	\$1.4B	\$724M	\$1.3B	
Net Inc	-\$62M	\$287M	\$34.5M	
Employees	3,335	623	3,241	

The Culture Challenge

To transform their business from a consumer ISP to a business solutions provider, EarthLink acquired nine different companies starting in early 2011. As such, the challenge for EarthLink was to integrate the cultures of all nine companies in order to create one common culture (around a common mission, vision, etc.) that would allow them to implement their strategy.

Generating Insights

In order to implement their strategy successfully, EarthLink first needed to get a better understanding of the cultures in the companies that they had acquired. To do this, they performed a baseline Denison assessment across all nine companies. The results for two such companies are below:





Characteristics of Location A

- Track record of execution
- Good at setting a clear direction
- Long-tenured employees; a close knit community
- "Run a tight ship"

Characteristics of Location B

- Tired
- Chaos and confusion about what they needed to be doing as a company
- Loss of trust in the concept of 'leadership'
- Angry (and vocal about it)

The company knew that the amount of color in each location's results was not nearly as important as whether or not the location would support what was necessary to deliver on the new strategy. At first glance, Location A has significantly more color (higher scores). It's important to note what lies beneath these scores, however. The employees at Location A were used to a command and control style of leadership, where things were rule-oriented; employees followed direction and didn't ask why. Employees at Location B, however, were humbled by the struggles that yielded their low scores. They were tired and desperate for something different; a new way of working was necessary, and they were excited to engage in a new future.

Moving to Action

EarthLink held town hall meetings and debriefing sessions with the nine locations, where they talked about their culture scores and worked together to collectively understand what their scores meant. They needed to decide what tenets of their current culture they would need to keep, and which they would need to change in order to execute the new strategy. They made sure to be very intentional and thoughtful about the changes they would make to their culture, and would ensure that they always kept an eye on whether or not their current culture was right for where they hoped to go in the future.

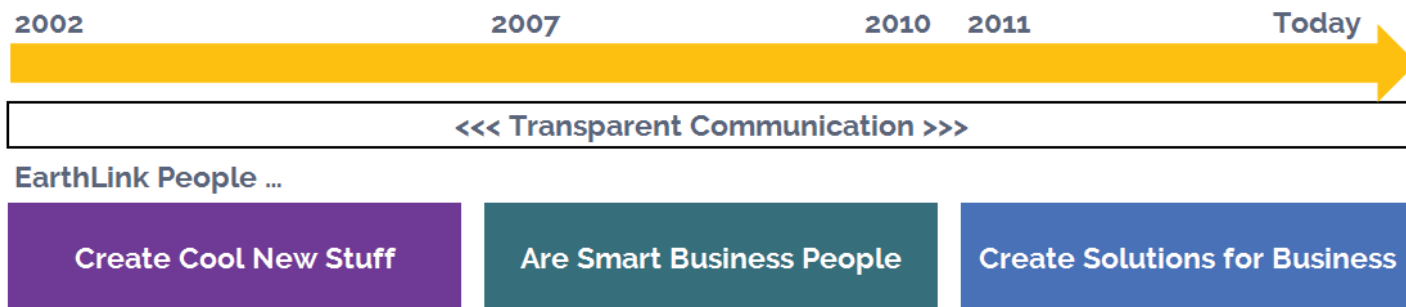
Leveraging Key Cultural Tenets

One of the tenets to keep was open and honest communication. EarthLink would always tell the truth to their customers, their employees and their investors. Sometimes, this meant having very frank conversations with their employees about the fact that their jobs may no longer be necessary if the company should decide that it's best for the company's future – this was especially important during the second phase of their journey.

A tenet they knew needed to change in order to implement their new strategy was the attitudes of their people. Employees needed to be business people, who were interested in creating a return for the company, not just "cool" products. The company as a whole would work on developing people

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who could create smart solutions for their business customers – essentially, using the IP talent they've had all along, just now with a new application.



The Culture Evolution

EarthLink's journey demonstrates the potential pitfalls and payoffs of a business transformation. By paying careful attention to the cultural complexities (tenets) of the acquired companies and combining this insight with thoughtful action, EarthLink shows us the impact that culture can have on business performance. Today EarthLink has become a \$1.2 billion company that is gaining traction and market share as a business solutions provider.

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