Chapter 15
Downsizing at Paltel:
Take It and Leave It

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EXECUTIVE SUMMARY

This case demonstrates not only the technical but also the human aspect of the downsizing process. Paltel was faced with a situation where downsizing was its only option. This case explores the planning and implementation of the downsizing process at Paltel. The degree to which Paltel considered the impact of this decision on employees exemplifies how employee-oriented the company was. This consideration played a central role in how the downsizing process was executed. Also demonstrated in this case are the manner in which the circumstances were communicated to Paltel's stakeholders, namely employees and the labor union and how this impacted their reaction to the situation. Paltel showed how managing stakeholder relationships and bringing key stakeholders on board with management contributed to the success of this process.

ORGANIZATION BACKGROUND

The year 1995 marked the founding of Paltel; Palestine's sole provider of telecommunication services at the time. Presently, Paltel Group is home to six subsidiaries, all operating in the same realm: Paltel (landline);Jawwal (mobile communication);Hadara (internet services provider);Palmedia (media services);Reach (information / contact center) and Hulul (IT support).

Paltel played a major role in the self reliance of Palestine; at least in the communication services arena. In 1995, the Palestinian National Authority (PNA) assumed control over the telecommunications infrastructure from Bezeq (the Israeli owned-company which was Palestine's only source of landline service at the time) under several conditions, one of which was to keep the 550 employees working with Bezeq at the time. So with the outdated switchboard machinery came 550 employees accustomed to working with it. This measure eliminated the Israeli middleman, at least for the Palestinian consumer. Soon after, Paltel bought the service from the PNA, making it the first privately owned Palestinian telecommunication service provider.

How would this transition of ownership impact the Palestinian consumer? A study by Auriol (2005) focusing on strategies used in the communication industry, particularly in developing countries, indicated that competition, rather than privatization, is what benefited consumers. However, the Palestinian consumer saw major changes in the quality of their communication based services as a result of privatization, initially when Paltel bought the technology from the Palestinian Authority. For years after, Paltel had been the sole telecommunication service provider in Palestine at the time. Not until 2009 did Wataniya Mobile, a direct rival to Jawwal, (Paltel's mobile service branch) enter the Palestinian market, which lead to even more value delivered to the Palestinian consumer, naturally as a result of the presence of competition.

Soon after its establishment, Paltel began its plans for expansion on various levels; to update the obsolete technology it inherited from Bezeq, to serve more areas of Palestine, and to provide communication services other than that of the landline. The company invested millions of dollars to facilitate this initiative. Figuring it would probably be more convenient to recruit people with the right skills rather than training the switchboard technology - familiar employees, the expansion scheme entailed hiring as well. By 1998, Paltel successfully managed to update its technology, and to hire employees technically capable of working with it, as well as managers with the expertise to supervise their progress.

Not only did Paltel update its landline technology in 1998, but it also explored new territory in communication; GSM (Global System for Mobile) technology, to provide mobile communication services to its customers. Paltel also began introducing payphone services in the same year. This was accompanied by investment in more equipment and recruitment of even more employees. The success of mobile telecommunication service was so great in Palestine, that by 2001, a whole new division was established to manage the operation of this service, Jawwal.

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