

Senior Executive's Departure Will Rattle BT

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Pierre Danon, the head of BT Retail, plans to leave the company in early 2005. BT must find a successor soon, or risk losing ground on local loop unbundling.

NEWS ANALYSIS

Event

On 25 November 2004, BT announced that Danon will leave the company in early 2005 to become chief operating officer at Capgemini. Danon joined BT Retail in October 2000 and was appointed to BT's board in November 2001. The company has not yet announced a replacement.

Analysis

BT Retail manages all client relationships and delivers services to business and residential customers in the United Kingdom, where most of its customers are based.

Danon's quick departure and lack of a successor indicate that BT was caught by surprise. The company's recent marketing has emphasized the strength of its management team and the good relations between business units. The sudden departure of a key executive will tarnish this image of harmony, and fuel speculation about differences within the management team.

This announcement need not, by itself, affect day-to-day services that customers receive. But BT might take this opportunity to introduce changes in the way it manages clients based mainly in the United Kingdom. It may also introduce further changes in the wake of recent decisions to acquire U.S. service provider Infonet and financial extranet company Radianz.

The move may influence BT's strategy for local loop unbundling. Discussions between BT's business units and with the U.K. regulator, Ofcom about unbundling have gone well. Ofcom's latest ruling allows BT some breathing space as it struggles to open up access to its local loop equipment. BT will need to identify a replacement for Danon soon, or risk losing some of the ground it has gained.

Recommendations

- **Businesses:** Don't expect immediate changes in BT's approach to network services. Watch whom BT chooses to replace Danon, as it may signal a change in strategy.
- **BT's customers:** Press BT to clarify how it intends to manage the move to a new head of BT Retail, what changes in strategy this might bring and how it will affect BT's services.

Analytical Sources: Bhawani Shankar and Katja Ruud, Gartner Research

Recommended Reading and Related Research

- "Infonet Acquisition Will Widen BT's Global Reach" — Infonet's global coverage will benefit BT and its customers, but Infonet customers should act to minimize the potential disruption caused by integration with BT Global Services and migration to BT's networks. **By David Neil and others**
- "British Telecom Internet and Network Services" — BT has restructured its operations and lowered its debt burden significantly since 2002. **By Donald A. Stuart and Kiran Bhalla**

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