



MOBILIZE EVERYTHING

AT&T'S RANDALL STEPHENSON

TALKS TO THE *BRUNSWICK REVIEW*

ABOUT STRATEGY, TECHNOLOGY AND TRUST

AT&T is the world's largest telecommunications company with 2009 revenues topping \$123bn. Randall Stephenson became Chairman and CEO in 2007, following a career with the company that included executive positions in operations, finance, marketing and the international business.


Under his leadership over the past three years, AT&T has led the US wireless industry in mobile broadband expansion, and the company has built on its position as a premier provider of communications services to enterprises around the globe.

The *Brunswick Review* sat down with Stephenson at his Dallas headquarters to get his perspective on the communications industry and his approach to managing change.

Shortly after Stephenson became CEO, some people were surprised when he said that AT&T would be known as a wireless company. Why did he make that statement? "There were a couple of reasons," he says. "Mobility was where the growth was, where our future was going to be. So, it was really important internally, because for the most part we didn't see ourselves as a wireless company at the time. When you think about how we grew up as a company, most of our people had a history in wired communications.

"At that point, in 2007, SBC had just completed the acquisition of its former parent, AT&T Corp., which gave us a global internet protocol (IP) backbone and a global base of enterprise customers – tremendous assets. So, it was natural that our perspective was grounded in wireline. But we had also combined our wireless business with BellSouth's to give us national scale and, looking ahead, mobility was going to be the driver for the industry. At the same time, we were beginning the process of rebranding our wireless business to AT&T. So, it was also important to help establish mobility at the center of the AT&T brand."

Looking back, the transition to mobile broadband happened faster than anyone expected. "You know, I got pushback at the time I made that wireless statement, from employees and from some shareholders. But when you look at the explosion in mobile broadband adoption and usage we've seen over the past three years, all the devices that have come out and the growth in mobile apps, the pace of innovation is just amazing. I think it's fair to say people have underestimated the growth in mobile broadband every step of the way."

The press has called mobile broadband a "revolution," and Stephenson has said it "changes 

everything.” How? “If you look at the history of mobile communications, when we mobilize a function, its value and its usage have jumped. It started in the 1980s, when we built out the first cellular networks and we mobilized voice. What we saw was that overall voice usage actually grew. I think a lot of people thought minutes would just migrate, they expected a shift from fixed-line to mobile, and we saw some of that. But the even bigger change was that total voice usage grew.”

And mobility was the key? “Yes, and we saw the same phenomenon when we mobilized e-mail. In the 1990s, fixed-line e-mail gave us a big jump in business productivity, led by companies like AOL. Then along came mobile e-mail – do you remember your first BlackBerry? – and overall e-mail usage and texting exploded. Now we’re seeing the same kind of transformation in all kinds of mobile data and video, as people use their wireless devices to connect to the internet, link to social networking sites and access business applications. We’ve learned that if you give customers mobile capabilities they will consume them – and thirst for more.

“Usage has grown dramatically. Over a three-year period starting in 2007, AT&T saw wireless data traffic on our network increase by 5,000 per cent. That’s an amazing number. Imagine what 5,000 per cent growth would look like in terms of airport passengers or traffic on a major highway, and you get a sense of the scale of what we’re talking about.”

Where does Stephenson think we are in terms of mobile broadband growth? “We’re just getting started. And we haven’t even talked about a whole new category of wireless-enabled devices – things like

vending machines, shipping pallets, dog collars, utility meters – you name it. We’re moving to a world where everything we interact with can be connected wirelessly to improve productivity and make it easier to use. We call these ‘connected devices.’ We have more than 8m of them on our network already, and it’s a category that’s growing rapidly.”

So, given these changes, and this new world, how would he describe AT&T’s strategy? “In two words: mobilize everything. We now have the technology to give customers access to everything they have on

their desktops at home or in the office through their mobile devices – applications, data, e-mail, video, everything – and do it seamlessly. That’s where we’re headed and where you see huge amounts of innovation. Again, when you mobilize a communications service, value and usage go

up. We’ve seen that in smartphones and now in tablets for consumers, and we think there’s also a large opportunity to mobilize business services. We’re using mobile applications to build solutions for specific industries and individual companies. Across virtually every industry, businesses are looking to get more productive and speed up their processes and their decision-making.”

What’s required for a company like AT&T to succeed in this new world? “Three things,” says Stephenson. “First, it takes conviction. You can’t be timid. Second, it takes a lot of capital. Looking back over the past three years, we’ve kept capital investment levels strong, with a growing percentage for mobile broadband capabilities. On top of that, we invested \$9bn to add spectrum. In the wireless

HOW WOULD
STEPHENSON
DESCRIBE AT&T’S
STRATEGY?
“IN TWO WORDS:
MOBILIZE EVERYTHING”



business, spectrum equals capacity. The spectrum we've acquired is ready for use as we build out LTE, the next generation of wireless networks, with greatly increased speeds."

And third? "It's also important to have the right kind of alliances. In an industry moving this fast, technology and product relationships are very important. At our scale, I think there is a limit to the number of major alliances a company like ours can manage effectively. You have to pick well and work hard at it. I believe we've done that."

AT&T has also been aggressive in developing Wi-Fi. Stephenson explains: "It has proven to be an important alternative technology. Wi-Fi uses unlicensed airwaves to provide increased capacity in concentrated areas – places such as dense business districts and stadiums where thousands and thousands of people are using devices to send photos and watch videos. In these situations, usage explodes, so Wi-Fi provides extra capacity and a better customer experience. In 2008, we acquired a small company called Wayport. It gave us a big boost in Wi-Fi, and we've built on that. We now have more than 23,000 hotspots across the US. More and more devices are Wi-Fi capable. Customers increasingly expect Wi-Fi options in restaurants, hotels, all sorts of public venues."

This transformation in AT&T has taken place during an economic downturn. What impact has that had, and what approach has he and his management team taken to managing through the recession? Stephenson cites lessons he learned from three major downturns. "The first was the peso collapse in Mexico in the mid-1990s; I was in Mexico City working as part of the management group supporting our investment in Telmex at the time. Then, a decade ago, we had the dotcom bust – I was our company's CFO at the time. And now ➡

AT&T milestones



1876
Alexander Graham Bell invents the telephone. With two backers he founds the company that will become AT&T.



1878
The first telephone exchange opens in the US in New Haven, Connecticut, using a manual switchboard under license from Bell.



1885
American Telephone and Telegraph Company (AT&T), incorporated as a wholly owned subsidiary of American Bell Telephone Company, is chartered to build and operate the original long-distance network connecting local exchanges. AT&T opens its first line, between New York and Philadelphia. Initial capacity: one call.



1915
Opens the first transcontinental telephone line between New York and San Francisco.



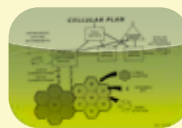
1925
Establishes Bell Telephone Laboratories as its research and development subsidiary.



1927
Launches a transatlantic telephone service, initially with London, via radio. The initial capacity is one call at a time, at a cost of \$75 for three minutes, more than \$900 in today's terms.



1946
Begins offering mobile telephone service. With a single antenna serving a region, only between 12 and 20 simultaneous calls can be made in an entire metropolitan area.



1947
Develops the concept of cellular telephony. The technology to realize the concept does not yet exist.



1963
Introduces a commercial touch-tone service, featuring telephones with buttons instead of dials.

we're working through the aftermath of the 2008 financial crisis.

"I take a couple of lessons from these situations. The first is to act fast and be decisive in getting ahead of your cost structure. Early in 2008 we were among the first to speak publicly about what we were seeing in the economy. It's not always what people want to hear, but it's important to get ahead of trends.

"The second is about investment. It was clear to us that the opportunities in the world of mobile broadband were substantial. So we've invested consistently right through the recession. We've grown earnings, kept cash flow strong, increased the dividend, and reduced debt. At the same time, our key growth areas for the future – mobile broadband, our U-verse TV service and our most advanced business products – have all performed well. We're well positioned to come out of the downturn a stronger company than when we went in."

As technology changes, presumably there's also the challenge of adapting AT&T's culture. Stephenson agrees. "It's some of the most important work we've done over the past few years.

"Think about our history. My predecessor, Ed Whitacre, did a great job of acquiring and assembling a terrific set of operational assets, and each of the companies had its own culture, its own personality and ways of doing things. It was clear to me that for those assets to perform at their optimal level, we needed to blend into a single identity and culture – a consistent way of thinking about things, a consistent style of execution. We intend to be 'One AT&T.'"

Stephenson says that such cultural change takes a great deal of work. "I use the analogy of a very large ship. When you set something as big as our company in motion, it tends to keep going in the direction it is headed. So, we've really worked hard at it. We developed a new management training program that regularly brings people together from across the company. We have an extensive leadership development program. And we've put a lot of effort into communicating across the company and at all levels. We have more face-to-face meetings and we use video and intranet webcasts."

"...TRUST HELPS YOU MOVE QUICKLY; IT INCREASES YOUR SPEED. WHEN IT'S ABSENT, YOU CAN SEE IT – MORE CHECKS, CONTROLS AND PROCESSES. THAT'S BUREAUCRACY"



Stephenson has said that two of the most important qualities for a management team are trust and speed – but how do those two values co-exist? "We have a close-knit senior executive team. We know each other, spend time together, work together and, as a result, we have

confidence in one another. There's trust that the next person will do the right thing, and there's trust in each other's ability to execute and play their position. That kind of trust helps you move quickly; it increases your speed. When it's absent, you can see it – more checks, controls and processes. That's bureaucracy. Building a team where there's a high level of trust is really important."

As the interview comes to a close, we ask Stephenson about the sort of questions he is asked by young managers who are just getting started at AT&T. "They're interested in all sorts of things – our strategy, market plans, all the things we've discussed today. The most important thing I tell them is that we are looking to develop leaders.

"Companies like ours succeed when they have good leaders throughout the business. Leaders are

people who get things done, and that takes courage. Leaders build teams and lift them up, and inspire others to collaborate and innovate. And above all, leaders never miss in terms of integrity. These things are always important, and they're really important for this company, in an industry where things are moving so fast.” 😊

Randall Stephenson was named Chairman and CEO of AT&T in 2007. Under his leadership, AT&T has led the US wireless industry in mobile broadband expansion and is the world's largest telecommunications company, with 2009 revenues topping \$123bn. Prior to his current position, Stephenson held key executive positions with the company including Chief Operating Officer, Chief Financial Officer, Head of Consumer Marketing, and Director of Finance in Mexico City, overseeing the company's stake in Teléfonos de México. Born in Oklahoma City, Oklahoma in 1960, Stephenson has a BS from the University of Central Oklahoma and a MBA from the University of Oklahoma. He began his career in his native state with Southwestern Bell Telephone in 1982. Stephenson serves on the board of directors of Emerson Electric and is a National Executive Board Member of the Boy Scouts of America.

Michael Buckley, Partner in Brunswick's San Francisco office, together with **Sarah Lubman**, Partner, and **Ashley Zandy**, Associate, both from Brunswick, New York, were in conversation with Randall Stephenson.



1968
Introduces 9-1-1 as a nationwide emergency number.



1971
Researchers at Bell Labs create the Unix computer operating system, which is designed to be hardware independent. It eventually becomes the underlying language of the internet.



1983
Launches the nation's first commercial cellular telephone service in metropolitan Chicago.



1984
The company is split into a much smaller AT&T – with its long-distance telephone, manufacturing, and research and development operations – and seven regional Bell operating companies, including SBC.



2005
In an industry-transforming merger, SBC acquires its former parent AT&T Corp. and renames itself AT&T Inc., creating the industry's premier communications and networking company.



2006
Launches AT&T U-verse, the world's first large-scale IPTV – television via internet and broadband – system.



2007
Joins with Apple to launch the iPhone in the US, ushering in a new era of mobile broadband and mobile computing services.



2008
Data compiled by leading independent wireless research firms show that AT&T is the nation's fastest 3G network.



2009
U-verse reaches 2m customers.



2010
Launches the AT&T U-verse Mobile App, allowing subscribers to download and watch TV on their iPhone.