

# HISPANIC Trends

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Thaddeus Arroyo, Ralph de la Vega & Joaquin Carbonell

## A Cingular Trio

### THE TECH ISSUE

FRANCHISE FEVER

Our top 5 tech franchises

DIGITAL MAKEOVER

3 tools to rejuvenate

your small business

REMOTE CONTROL

Long distance personal assistants



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# The WISEMEN of WIRELESS

By Carlos Alfaro

The triumvirate of **Ralph de la Vega**, **Thaddeus Arroyo** and **Joaquin Carbonell** was instrumental in the merger between Cingular and AT&T Wireless, which was approved by the FCC and took place in late 2004. The merger of the two companies has created the nation's largest wireless company, with more than 50 million subscribers to the most extensive digital, voice and data network in the U.S.

The three men—COO, CIO, and executive VP/general counsel, respectively—spoke to HISPANIC Trends about the mega-merger, which involved not only technologies, infrastructure, and administration, but the melding of corporate cultures and a diverse group of individuals. The process, and what they learned about it, can be applied to companies big and small.



JOAQUIN CARBONELL

What role did each of you play in the merger with AT&T Wireless?

**RDV:** As COO, my job was to coordinate all the activities and make sure we had a successful launch of our services when the new company formed. That included the technical things that an operations officer would do, from sales and marketing to the network issues. Joaquin, I think, played a key role in making the merger happen in the first place and then Thaddeus was the key guy who made all the IT work and the services seamless. We all played, I think, pretty critical roles in that merger.





RALPH DE LA VEGA



THADDEUS ARROYO

**JC:** I was responsible for the legal and regulatory issues associated with the purchase of AT&T. Obviously that's the gating factor. Before we can actually run the operations, we need to get the approval from the chairman of justice and the FCC. We were part of the steering committee that, along with our CEO and CFO, was going to get the merger approved by the governmental entities. My job principally was trying to answer all the questions that the governmental agencies had and the data requests that they needed to support their decisions. Obviously a lot of the data that we had

to obtain and provide to the governmental agencies came from Thaddeus because they wanted to know the number of customers, market share, that type of information, and Thaddeus was invaluable getting all that data. Nothing could happen until we got approval and we were successful in doing that in record time with a minimal amount of divestments; we did it in about 8 months and we obtained a 5-0 vote from the FCC and essentially had to divest very few properties as part of this transaction.

**TA:** As it relates to Joaquin and Ralph, the largest component that our orga-

nization was responsible for in this merger was providing and supporting all the requests for what was a substantial amount of information to ensure that we got this thing approved in record time. But also during that same time frame we were building the enabling technology to deliver on the vision that Ralph outlined. Working with his consolidated leadership team taking a very aggressive approach to delivering what we call a Cingular service experience, that is to provide a common service experience to all the customers in this new combined company, and to do that soon after the





THADDEUS ARROYO

## THADDEUS' 5 TECHNOLOGY INTEGRATION DO'S:

### 1. CONTEMPLATE MULTIPLE

**CONTINGENCIES:** Typically what you plan to happen, happens but with some variance, so the contingencies really help you to have an option to derive success under multiple scenarios.

### 2. MAP YOUR INVESTMENT TO YOUR

**INTENDED OUTCOME:** Mapping and managing your scope to match your investment is more important than trying to accomplish more with less but then not achieving your objective.

### 3. MATCH THE RIGHT SKILLS TO THE RIGHT

**PROBLEM:** The absence of the right skills means the inability to accomplish desired results.

**4. FOCUS ON QUALITY:** Don't simply be governed by budget and scope, but an additional dimension of quality is probably the dominant one as it relates to technology integration.

**5. CUSTOMER EXPERIENCE:** Understand the implication of the use of a technology from the perspective of those who will be using it, not just from the perspective of the technology.

merger. My organization was building the technology to make it possible that when you went to any of Cingular's touch points, whether you were a legacy AT&T Wireless customer or a Cingular customer, you could buy the current offer in the marketplace and get serviced equally well. All of this was centered around delivering the customer experience that we wanted to have after the merger and we were able to do all that and get it in place before last year's critical holiday shopping period.

**RDV:** To put that in perspective—just to give you some key dates—the merger was done on February 17 [2004] and was actually approved by the FCC and all the governmental regulations 8 months after, on October 26, in record time. It came at the height of the holiday season, so our company

took a tremendous gamble of trying to launch that common service experience in the middle of the busiest season. Sometimes a company's sales in the fourth quarter can be 30 to 40 percent of the year, so if you blow the fourth quarter, your year is gone.

When Joaquin got us the deal done it was October 26 (we really wanted him to do it on October 1)—but he still beat every record. Then Thaddeus and I had to figure out how to make this company look like one between October 26 and the launch date, which was November 15. So that's 19 days. We had those 19 days which are the days that we could begin to test the systems, check the tires, and things that we had been planning for months to launch the new company. We had to train 100,000 people on these new systems, new sales collateral. That was over a million hours worth of training and we had to convert over 1,100 AT&T Wireless stores into Cingular stores in one night, which we did on the night of November 14. So everybody played a key role, but what this company did in a period of 19 days is probably unprecedented in the history of mergers in terms of getting two companies this large to look like one. It took the efforts of Joaquin to get the deal done before the holiday season, Thaddeus to get us the software capability to make it look like one and then for me and the rest of the company to execute and to make this happen in record time. The fourth quarter of last year [was] the single greatest quarter in terms of sales or net additions in the history of the industry, so I think that speaks bundles about what we were able to do by working together—we couldn't have done it without everybody doing their part.

**JC:** It was a world record in terms of net additions on that fourth quarter and I believe that Ralph and his team and obviously all of us together delivered 1.8 million new customers in that fourth quarter, which until that time no one had ever gotten in a single quarter.




The three of you had to work very closely. Did your common Hispanic background help?

**RDV:** Perhaps the work ethic. ... We work like crazy and it's the individuals that were fully committed to making this happen. We were driven to making sure that we gave it all we could and we had some very dedicated people that did what I called heroic jobs to get this done. We were good leaders—besides, we had a hell of a good team that was equally committed to working with us.

What was the hardest issue to deal with during the merger?

**RDV:** Keeping all the balls in the air. We had so many things that we needed to get done that I think that my biggest challenge was to make sure that everything worked right because just having a piece of it is not enough; it was making sure that the team executed well in unison, keeping everybody together. When you consider that the two companies had 30,000 each, and together we had 60,000 people to launch a nationwide service in 19 days [and that] those people for the most part had never seen each other, for us to work together as one in 19 days and train the number of people that we did is a great team accomplishment. So I worried more about making sure that everything worked smoothly, and I think that was my greatest challenge.

**TA:** I think it was the challenge of stepping through in working and integrating two companies' systems to support the vision that Ralph had articulated. Being able to provide that great experience to our customers within weeks of the merger in an environment where we had two companies competing with each other. What it meant from a technology integration perspective is that we had to integrate on a one-sided basis and through a very restrictive set of rules to ensure that we didn't violate any anti-trust provisions and through tremendous support from Joaquin's team in putting in place a legal frame-



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work that ensured that we honored the intent as well as our legal obligation to continue to compete—because if the merger didn't go through, we were going to have two companies competing. We were able to piece together a framework to provide this integration. To deliver on this we really had to plan for many contingencies along the way. That created a substantial challenge, one I can say that we navigated successfully through strong leadership as it relates to how we wanted to bring the businesses together but also through just really hard work from all teams.

**JC:** There were two major challenges that we faced from the legal side and that is integrating two organizations and the people issues. We made a decision early on that we were going to take the best of the best. So the decisions that needed to be made about how to rationalize the workforce for my own group were pretty significant. Obviously you're impacting the lives of people while at the same time you're trying to make sure that you're getting the best talent. The second challenge was on a more macro level: The legal department really needed to support very quickly the objectives that Ralph set out, and that covered multiple disciplines and functional groups that needed support during that integration process. And it continues. Ralph is still running a business but at the same time he is continuing that integration process that we started back on October 26.

Along with Thaddeus and other functional groups that reported to Ralph, we analyzed over a billion bits of data, we looked at 40 million documents, we produced 18 million documents to the Department of Justice and to the FCC, we probably had close to 500 lawyers working on this and that doesn't include all the work that was being done by the actual operations team behind the scenes to make this thing happen. The magnitude of this is pretty significant when you think about the fact that you're trying to get the deal approved but at the same time you still have a continuing operation because you don't know if the deal is going to go through. You got to manage not only trying to get the deal done, get it approved and accomplished, but at the same time you've got an on-going business.

**RDV:** Think about when two companies overlap—just in Miami we had two presidents and two general managers, one for each company, and the same thing happened in 27 different markets throughout the country. So to run as one we had to pick one to lead the business and then tell that one: You got 19 days to make your area in Miami look like one; we want our people to be dressed the same, to have the same rate plans, the same handsets, the same IT systems. The same day that Joaquin got the FCC and the Department of Justice to approve the merger; we named the top 53 leaders of this company. That day we said "Here are the 53 people now in charge." And then we called the top 300 people to dinner in Atlanta and had an all senior managers meeting. While we talked to them about what the company's mission, vision and strategies were going to be, there were what we called playbooks: 70,000 of them shipped the minute the merger was approved. The way we handled the merger was pretty much like a football team where you have a game plan and a playbook, where every employee's got a playbook that told them what their role was and what



they needed to do to make it successful in those 19 days; there was one for IT, for sales, for network, etc. ... so that everybody knew what he or she had to do in that time frame.

#### How intense were the working hours?

We got very little sleep. The last day, right before we opened for business, we had to go into 1,100 AT&T Wireless stores and change the decorations, colors, take out the name, put in the Cingular name, put new handsets in place and make sure the IT things were working correctly. We planned to do it in six hours so when we closed the stores at 6pm on the night of November 14, we had a makeover and it took 14,000 people on a Sunday, in every major city, and even minor cities in this country to get the job done. It was so well planned that we knew that having that many people in the stores with only six hours to do the job they would not have time to go out to eat dinner. So we mailed them Domino's pizza coupons ahead of time, all they needed to do was to call Domino's and order. And sure enough that's exactly how it worked. We didn't get a lot of sleep that night, but the pizza sure tasted good.

#### How do you motivate employees when they're about to face such hard working days?

**RDV:** This is a once-in-a-lifetime opportunity to make a contribution to a company. It's not often that a person gets the chance to participate in a merger of this kind and people like Joaquin, Thaddeus, me, and many other employees, got the chance to redo our company from choosing the company colors to the company slogan to the company strategies, people, IT systems, etc. ... To the people that participated in this, in my view, is: You're never going to get a more rewarding job, you're never going to have this kind of an impact probably ever in your career, to make a difference, and I think from my point of view that's a pretty good deal to get a chance to make that contribution.



## "WE IN CINGULAR BELIEVE THAT DIVERSITY AND INCLUSION IS NOT ABOUT COUNTING HEADS, BUT RATHER, MAKING HEADS COUNT."

**TA:** Something that worked very well among the technology professionals in my organization, translating it into a very bold statement of what we were trying to achieve, is showing we were all solidifying one of the largest cash investments in history to create the world's best wireless company. We were communicating that and really providing that linkage; the vast majority of employees are very interested in that as it relates to being part of that and being part of success, people clearly get motivated by an opportunity for success and they all had an opportunity to participate in that. Communicating that provided a lot of natural motivation.

#### How did you decide what technologies you would keep from each of the companies?

**RDV:** We knew what technology they were using and we had a pretty good idea of what was working and what wasn't, so we opted to take the best of whatever company had to offer just like we did with people, following our mantra that we would take the best of the best.

#### How do you think your experience can help change the system from quotas to merits for Hispanics?

**RDV:** We in Cingular believe that diversity and inclusion is not about counting heads, but rather, making heads count. We believe that the people that we have that are minorities and women need

to be placed in positions of influence so that in fact we can better serve the pretty diverse marketplace for the industry that we're in. I think we place a premium on getting good people. And in terms of marketing and the things that we do, we make sure that there are people from that segment in our company so they can be properly represented and their ideas properly included in what we do as a company. Just to give you some numbers, 62 percent of the direct reports to our chief executive are women or minorities and 40 percent of our employee base are minorities in the general population. So I think we are very unique in that for such a large company to have this kind of diversity at the top and throughout the organization is truly exceptional. We have more than 60,000 employees, \$33 billion in revenue and 52 million customers, so for us to have 40 percent of our employees [who are minorities] is very significant, and I'm very proud to work for a company that values diversity and demonstrates it by putting people of diverse backgrounds in positions of influence.

**TA:** I think the important part in the commitment that is built clearly deep into the Cingular culture and Cingular's leadership is the commitment to ensure that there aren't any barriers to actually recognizing the merits of those who work for us across a very diverse base. So rather than counting and focusing on the numbers [it's important to] look at the company we built, the culture that we built and ensure that the merits are recognized. You are talking to an excellent example of how that works if you look at some of the top leaders of the company you're speaking with today. We're here based on the skills that we bring, the experience that we bring. But clearly it takes a forward-looking company to ensure that there aren't any barriers in identifying that type of talent in the industry.

**JDV:** Not only do you have us three here as Hispanics, but because we think that



the Hispanic market is so important for wireless, we've got, I think an exceptional Hispanic team to lead that market segment. Our head of Hispanic marketing is Venezuelan; our Spanish PR efforts are handled by a Spaniard, and our web efforts by a Puerto Rican, and I can go on and on naming people: We have Colombians, Mexicans, Venezuelans, Cubans, Puerto Ricans and we throw in a Spaniard now and then. I like that mix and that diversity because, as you know, the Hispanic marketplace is not a monolith. It's a tapestry of different subcultures.

**JC:** Cingular has been recognized as an employer of choice for minorities because of our culture of inclusion. The demographics that we see going forward, our customers and employers are going to be increasingly more like you and me and the people that are sitting around this table than they are the way it has historically been. We have tried very hard on the legal side and within my own functional group to not only promote diversity within the organization, but also to get law firms to have a greater participation by women and minorities and women and minority-owned law firms as a way of making sure that the people that represent us legally externally as well as my own lawyers correlate to the demographics that we see increasingly throughout the U.S.

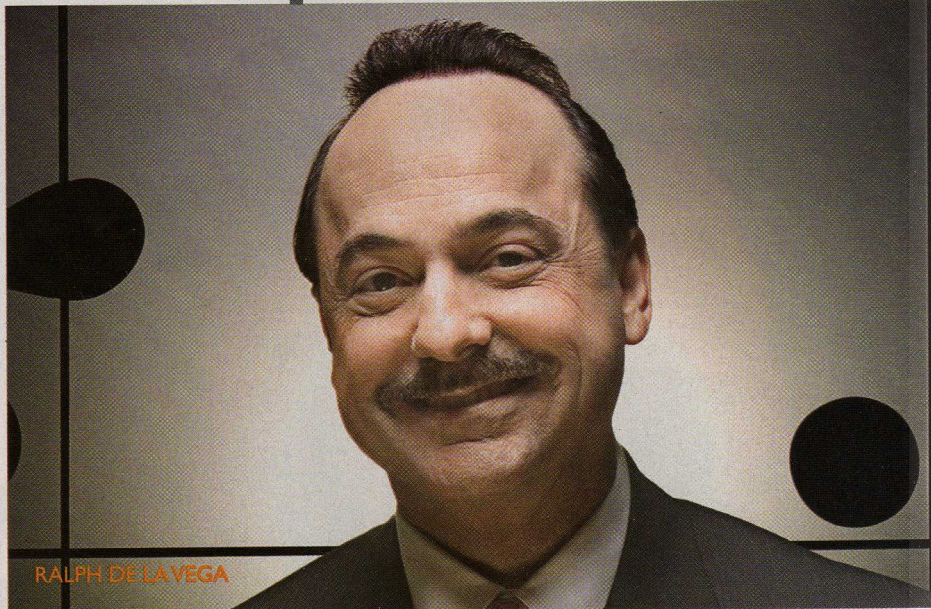
**RDV:** Miami is so strong with the Hispanic influence that the stuff that we're doing in places that are not South Florida or where Hispanics are not in large numbers is huge, and I wish you could see the kind of things that Joaquin is doing is to help the Hispanic businesses in markets like Atlanta and others that are developing. It really means a lot here. In South Florida it may not seem like that, but it's much harder to do in start-up markets with smaller Hispanic populations.

**What other groups do you target?**

**RDV:** We target a whole bunch: youth, African Americans, and we try to appeal

to all of those groups in ways that they want to be treated. If you're not younger than 25, it's very difficult to relate to what's happening in the youth market today. So we have people in our marketing group that are very young and have very significant responsibilities and they know that marketplace best and they recommend some things to me at times that I look at and think that can't possibly work and yet it sells like crazy. You have to trust people that they know what is best for those segments because that's what the marketplace demands.

**JC:** It's not only by ethnicity, but we also try to develop products and services based on socioeconomic needs. For example, our Go phone product tries to meet the demands of the marketplace of a lot of people that are un-banked. There is a pretty signifi-



## RALPH'S LEADERSHIP FRAMEWORK

1. **FOCUS:** on the possibilities rather than on the limitations.
2. **ASSESS THE SITUATION:** Make sure you have the brutal facts; people have a tendency to not acknowledge the real difficulties that they are facing.
3. **BUILD THE VISION:** Paint a picture of where you want to go: Convince the people who work with you of where you want to go and why it's an important thing to accomplish. Everyone on a team must share the vision of where you want to go.
4. **DEVELOP A PLAN:** Strategies that will help you achieve that vision.
5. **GET PEOPLE ALIGNED:** Make sure that people are focused on the execution of the plan. Make people accountable for their jobs.
6. **MONITOR YOUR PROGRESS:** Adjust as situations warrant to keep on track toward your goal. Identify the right metrics that will help you do this.





JOAQUIN CARBONELL

## THE LEADERS' RECOMMENDED READING

### THADDEUS:

#### *The Art of Possibility*

By Rosamund Stone Zander and Benjamin Zander



cant amount of the population that doesn't have bank accounts but still wants wireless services so we've developed some fairly innovative products in terms of prepaid services that appeal to people who want to control their costs. We try to cross the entire socioeconomic plane when we develop our products.

**RDV:** When you have a product for several or one particular segment you don't know whether it's going to be a hit or not. We debated a lot about putting out a phone for kids—you've probably seen our Firefly phone, which is intended for pre-teens. The issue of whether we wanted to equip that age with a handset was something we debated, and at the end what finally convinced me was when you listen to some of the younger people who have kids in that age range. I remember one of our product managers saying "Do you know what it feels like to be a mother and to put your child for

the first time ever on a school bus and be concerned about how the well-being of that child was going to be on that day, and wouldn't it be nice if the child had a way to talk to that mother in case anything happened on that very first day?" I said I cannot speak to that personally, but I can relate to it and also the kind of things that make us the good company that we are when you can have a product like that. But you have to have someone that's going through that to help you understand it and the reactions to the products. The sales of that particular product highlight the fact that when you know the market segment, you can be successful.

Which one of the segments gets assigned the most resources?

**RDV:** We are focused on three main segments: the Hispanic, the youth and the alternate payments segment where you have people that don't want to be billed on a postpaid basis but want to pay debit or credit card or cash. Hispanics over-index the general population. They use the phone more; they spend more money with us than [does] any other segment. They download more ring tones and games, send more SMS. So why would you not go after the fastest-growing segment that also happens to have a propensity to buy more services than any others? The youth is also a fast growing segment, and they also use more services than other segments. One of the things that has made us famous is the segment that we have targeted probably more successfully than anyone else, and that is families. We were first with family talk and our latest segment is the push-to-talk segment, which is a segment that was kind of pioneered by Nextel but we're taking it to the next level by making it available to the average consumers and giving customers nationwide coverage in every place where their phone works. Even though we haven't advertised them, we've sold thousands just by word of mouth. ■

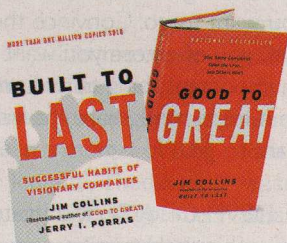
### RALPH:

#### *Built to Last*

By Jim Collins

#### *Good to Great*

By Jim Collins



### JOAQUIN:

#### *The Tipping Point*

By Malcolm Gladwell

#### *Execution*

By Larry Bossidy

