

The Evolving Role of America's Business Leaders

It is such an honor to be the first recipient of the Dean Thomas Award. I know that Dean Thomas is as surprised as Tom Dyckman, Hal Bierman or any professor or classmate I had in 1977 that I'd ever receive any award from Cornell.

Ponce de Leon would have been better off discovering Cayuga's waters than a fountain in Florida. Every time I see Dean Thomas – or his predecessor – Bob Swieringa, or any of my former profs, I think there must be something in the water up there. We graduates age a lot – but the professors at the Johnson School don't seem to.

I remember Joe teaching O.R., not the Operating Room, although it often felt that way, but Operations Research. I was a Liberal Arts undergraduate, so Cornell's quant-head professors took some adjustment to get used to. I put my literacy talents to work, as some of you may remember, reviewing Ithaca's bar scene for the B&PA magazine (remember the PA part)? The PA's,

or Public Affairs guys, were the last guys to get jobs, which may be why Cornell dropped the PA moniker. The Haunt, the Chapter House and No. 9's became like second homes to me and to many of us, I'm sorry to say.

But, the Cornell curriculum, with its heavy quantitative bent, have served me and many of us well in our careers. One of my favorite quotes is from Andrew Lang, "He uses statistics as a drunken man uses a lamppost, for support rather than for illumination." Knowing the difference in the real world in how stats are being used on me has been very helpful.

I'm fortunate to have been able to stay in the same Industry, telecom, since graduating from Cornell 35 years ago – albeit with four different companies.

Will Rogers once said, "Everyone is ignorant, only in different subjects." I stay in one industry so that at least there is one industry I'm not ignorant about.

Telecom Technology, especially wireless, has changed a lot since we were students. The best portable device I ever owned in B-School was the one classmate Lou Phillips got us a great deal on from his former employer, TI – a calculator with the Y^x function on it. It even had E^x . That was serious computational power back then.

Wireless is the most rapidly-adopted technology in the history of the world. There are more cell phones in use in the world than there are TV's, PC's, and automobiles – combined.

And nowhere has wireless technology made more of a difference than on the college campus. A recent article by Wakefield Research found that: “Nearly four in ten college students said they could not go ten minutes without checking one of their mobile devices.” In my day, four in ten couldn't go ten minutes without checking out a member of the opposite sex.”

And the Wakefield study found that “73% of students surveyed claim they would not be able to study without some form

of technology.” In our day, 73% of students claim they would not be able to study in the presence of Bob McConnell.”

But some things have not changed at all. “46% of students in the survey reported they would be more likely to complete their reading if it was in digital format,” which is consistent with our day – at least 46% of students didn’t complete the reading assignment.

Wireless technology is going to get even more exciting. Practically every American of age has a cell phone. 80% of the devices Sprint sold in our last reported quarter were what we call “smartphones”, those with advanced operating systems like Android or iOS. But we will move beyond smartphones. Soon, you can expect a wireless chip to be embedded in almost everything, from your car, to your TV, refrigerator or water meter. You’ll have chips sewn into your clothing to monitor your body functions and health, even in the pills you swallow to monitor how medicine reacts with your body’s chemistry.

I recently read that Cornell was recognized by Beyond Pinstripes as one of the top 10 schools for integrating Corporate Social Responsibility into their curriculum. In my view, principled business leaders will need to fill the nation's leadership vacuum left by the lack of political leadership from our increasingly - ineffective two-party system.

Because of the incumbent – driven gerrymandering of congressional districts – where there is only one election that counts – the Primary, Democrats run on being the most liberal, and Republicans brandish their “true conservative” credentials.

The middle is gone. Honest discourse is rare. The responsibility to govern in a bipartisan manner has been replaced by keeping score. Even the news can't be trusted anymore to be news. Instead we get opinion shows masquerading as news – because networks can attract their profitable target demographic more effectively by telling viewers what they want to hear and by entertaining them vs. making them think. We listen to polarizing rhetoric, shrunk into Homer Simpson-digestible sound bites.

In a nutshell, with the increasing stalemates and lack of action we're going to see from the political process in this country, it will be increasingly up to values-driven business leaders to lead, in order to protect and to improve our American way of life. The imperative for Corporate Social Responsibility by America's business leaders to fill our country's leadership vacuum has never been greater.

I've given lots of talks to students over the years on Business Leadership as a Vocation, akin to teaching, the clergy, public service or parenting.

A business leader affects the quality of life and the livelihoods of hundreds, thousands, even millions of people – depending upon the scope of the business. Leaders impact not only Employees, but also Suppliers, Customers, Investors, and the Communities a company serves.

But, as a group, business leaders and especially the financial community, have largely lost the public's trust as

evidenced by the “Occupy” movements. Watch Jon Stewart’s interview with Joe Nocera of the New York Times online which was on TV last night about what is happening to capitalism.

I don’t side with the Occupy Movement, but I do sympathize with some of its sentiments. If there was one thing we had drilled into us at Cornell, it was the “Time Value of Money.” Well, the discount rate given to a company’s future feels like it has become almost infinite – what should be an oxymoron when you think that a bank’s cost of capital is close to zero.

I was talking to a CEO of a major corporation last week and he said that investors would prefer a higher profit next quarter, even if it meant killing his company in future years. He was being quite serious. This was not said in jest.

This is a widely-felt sentiment. The discounted value of future years, even future quarters of the same year, have gotten smaller and smaller (with the exception of the equally-crazy bubble of the late 90’s), driven perhaps by traders who were once

saving for retirement being replaced by young MBAs, so-called “professional investors”, who, unfortunately for them, are hired and fired on annual or quarterly returns, and day traders who no one claims are professionals, even if they think they are because they once slept at a Holiday Inn Express.

Activists have figured this out. They jump into undervalued companies being run for the long term, (quote) “unlock value” (close-quote), and make a quick buck by taking quick money off the table, at the expense of destroying many times this amount in future value. And forget the thousands of lives and livelihoods horribly affected by the arbitrage of the present vs. the future. We were taught at Cornell that the financial markets are efficient and that stock values are fundamentally the discounted value of anticipated future cash flows. I no longer believe either is true.

My father grew up in what Tom Brokaw aptly calls, “The Greatest Generation” – a generation that sacrificed so that life would be better for their children and for future generations. It

seems as though we've lost this moral compass. Because we won't sacrifice, consider the National Debt and the quality of the Environment we're leaving our kids and their kids.

The same "selfishness" if you will applies to American public companies. Each generation of leadership once thought about the institution they're handing off to the next generation. In my 35 year-career, I have watched what used to be major investments in the future, areas like real R&D, and leadership development, diminish year after year.

Purpose, community, the environment, and morality, are often missing from the business and investment conversation. Newsweek recently ranked America's 25 greenest companies. There was only one telecom or wireless company on the list, Sprint at #3. In addition to being the right thing to do, over time, being environmentally responsible will lower our costs and enhance the brand. This is one of numerous environmental awards and accolades. Has it ever moved the stock or have we ever gotten a positive investor kudo for either doing the right thing

or for making deposits in the future brand bank? Not that I know of. The benefits are long term. But our people responded to our environmental efforts positively, immediately, because it's the right thing to do.

Last March, AT&T announced its plans to acquire T-Mobile USA. In the short term, this would have removed a competitor – and one that Sprint competes with for the value segment of the postpaid wireless market. But, in the long term, we believed a duopoly would be bad for the wireless industry, and hence for Sprint.

Auburn Coach Shug Jordan said, “Always remember that Goliath was a 40-point favorite over David.” Sprint decided to fight Goliath, AT&T, (and if you go back to the press last March – no one gave us a snowball’s chance in hell of winning) because we believed it was the right thing to do to make sure this industry remains innovative, as studies show an innovative wireless industry creates hundreds of billions in U.S. GDP.

Internally, our people rallied to the cause, like they rallied behind our green initiatives because we talked about it as the right thing to do. Even though our stock has been recently battered by Wall Street because of the huge investments we're making on a next-generation wireless network and the iPhone, and our employees have much of their net worth tied up in Sprint, our employee morale scores are at all-time record levels and exceed benchmarks in every category. Titus Livy said, "In difficult situations, the boldest plans are the safest." Our people believe this, rally behind these bold investments in the future, but Wall Street does not.

Getting back to my "Occupy" comment earlier, this is an example of how at-odds the values of ordinary people are with the values, or lack thereof, of the Wall Street community. I believe employees and customers hold similar values. Employees want to serve customers, and customers want to be served. According to the American Customer Satisfaction Index, customer satisfaction with Sprint is not only #1 among U.S. wireless

carriers, but Sprint's customer satisfaction has improved more than any U.S. company, across all 47 industries studied, over the past three years.

The Reputation Institute publishes a study of the Corporate Reputation of the world's largest 1500 companies each year in Forbes magazine. I'm pleased to say we're the only U.S. wireless company that improved corporate reputation (esteem, admiration and trust) in 2011. I'm even more pleased that Sprint's reputation in 2010 improved more than any company in the world.

Perhaps customers are beginning to care more about companies that do good. A Weber-Shandwick survey released just yesterday found that 70% of consumers avoid products if they dislike the parent company, that Corporate Reputation is extremely important. So, perhaps there is hope – that enlightened self-interest will drive the right behavior.

The U.S. Government is everyone's favorite punching bag, but to give Washington DC its props, there are government

leaders who do want to see corporations do good. If they saw more of it they'd have far less interest in regulating business, and the resulting efficiencies would be yet another large, long term benefit to business profitability and to the U.S. economy.

I want to give props as well to Gerard Arpey of American Airlines who once worked with our Cornell classmate Mike Durham. D. Michael Lindsay of the New York Times wrote an article describing how Arpey resigned as CEO because he found the airlines' decision to declare bankruptcy "morally wrong," viewing Chapter 11 as a tactic that allows carriers to "cancel their debt and get rid of responsibility for employee pensions." Bravo, Gerry!

You may have seen another article published just yesterday – because it's being emailed everywhere. The title of the article is, "The 10 Most Hated Companies in America." #2 on the list is American Airlines, referencing the bankruptcy filing and low score by the American Customer Satisfaction Index.

Citing the lowest rating for customer service by the American Customer Satisfaction Index, and its attempted takeover of T-Mobile to gain the power to set prices, AT&T was next at #3.

Customer service and doing the right thing will matter more and more in the future. It is hard for employees to feel good about working for a company they read is hated by the public.

As I think about Cornell, I contrast it to the hustle and bustle of this Concrete Jungle. My Cornell years were idyllic years – well, at least the second year of B-School was. I remember the quaintness of the campus and the town of Ithaca, the physical beauty and the friendly people. I was poor and idealistic in those days. Springing for Molson instead of Utica Club or Genny Creme Ale was a special, rare treat, but I was truly happy anyway.

Maybe the pace of life and the beautiful setting is a custom-made environment for the Johnson School to teach Corporate Social Responsibility, and to make these great young minds decide what vocation or purpose they want their lives to have.

Anwar Sadat said it well, “Without a vocation, man’s existence would be meaningless.” Business leadership, with the effect it has on so many lives and livelihoods, can be a very noble vocation.

I’m proud of my alma mater for instilling great values in the alums in this room, and for being recognized as a leader in Corporate Social Responsibility, which I’m sure is due in no small part to the leadership of Dean Thomas. This Dean thought deeply about the legacy he would leave for future generations.