

A New Model for Growth

An Interview with Solomon D. Trujillo,
Chief Executive Officer, Orange SA, London

EDITORS' NOTE *"For the past 20 years," observes newly appointed CEO Solomon Trujillo, "the wireless industry has been one of constant growth," in which the "whole population consisted of potential customers." Today, however, "it's time for the next generation to build a new model for growth," he contends, and at Orange, "we're starting to meet that challenge" by focusing "purely and simply on the customer." More specifically, in addition to its traditional wireless offerings, the firm is now delivering innovative services such as photo and video messaging, as well as "making it easier" and intuitive for customers "to use our services more frequently wherever they go." For, "the fact is, there are plenty of applications and services in the little devices everyone carries around today," but "not all of our customers are taking advantage of all those services yet because some find they are too complex to use and access." So "whoever is the first to simplify them for the customer is going to see significant amounts of growth," Trujillo concludes, and at Orange "everything we do is about enhancing our customers' lifestyles" whether at home or work or on the go.*

The recipient of an M.B.A. from the University of Wyoming, Trujillo spent much of his early career at Mountain Bell and the Bell System, where he rose through the ranks to become the company's youngest-ever vice president at the age of 32. After that time, he served as chairman, president, and CEO of USWest and, following that company's merger with Qwest Communications, retired after 26 years and later became president and CEO of Graviton, Inc., a developer of wireless sensor networks. Trujillo, who was previously a board member of Orange SA, assumed his present post in February 2003.

COMPANY BRIEF *Launched in 1994 and headquartered in London, Orange SA (London and Euronext Paris: OGE) is one of the world's most advanced and fastest-growing mobile-communications companies. The firm, which expanded*

significantly with the integration of France Telecom's mobile-phone operations, also holds stakes in European mobile-phone operators, such as Belgium's Mobistar, and has operations in regions as far flung as Africa, the Middle East, and Thailand. With more than 19 million subscribers in France, 13 million in Britain, and nearly 45 million worldwide, the company reported revenues of about \$20 billion in 2002.

You recently assumed your role at the helm of Orange. What excited you about the opportunity, and why did you feel it was the right fit for you and the company at this time?

What excited me the most was the opportunity to build a new business model for a very large, wireless-services company as the market continues to evolve. For the past 20 years, of course, the wireless industry has been one of constant growth. Because people simply didn't have wireless phones at the beginning, the whole population consisted of potential customers. But today, many markets around the world have been well penetrated, so it's time for the next generation to build a new model for growth.

Orange has been a recognized brand for some time. When you joined the company, were you happy with its brand awareness and the level of public familiarity with the company?

Yes. Orange started as a wireless business in Britain, where it has had terrific brand prominence and preeminence as a business. It has since merged with France Telecom's wireless business and has expanded into 17 other countries. So the brand has served the company well.

In addition to wireless, can you describe the products and services Orange offers today and your outlook for growth in these areas?

Everything we do is about enhancing our customers' lifestyles. As such, we provide services such as voice communications and text messaging. We recently began offering photo messaging, and our customers can also download and view

videos on some Orange phones. Equally important, our customers can download news, information, sports scores, as well as live traffic reports. Soon our customers will even be able to send video messages from their phones. People want to use images and other enhanced graphics capabilities today, and going forward, we think there's a great opportunity for growth there.

Orange, of course, has its headquarters in Britain. When you look at the company's future growth, how much of it will come from the U.K. market? Do North America and other parts of the world present challenges for Orange?

The company primarily operates in Europe, but also has operations in the Middle East, Africa, and Thailand. In the future, we expect that most of our growth will continue to be in these areas. We have no plans to enter the Americas at this stage because we still have significant growth opportunities to pursue in our present markets.

And that applies to Asia, as well?

We currently have a presence in Thailand, but we're in the process of exploring what is an appropriate strategy in Asia.

How do you define Orange's target market? Who is your target customer?

Actually, the population base comprises our potential customer base. All of our research indicates that we have potential customers in all segments of the marketplace, from individuals to corporate businesses. Our challenge now is making it easier for them to use our services more frequently wherever they go.

The European wireless market is very competitive, with a number of companies claiming to offer similar products and services. How difficult is it to differentiate Orange in the minds of potential customers?

Up until now, everyone has offered a very similar look, feel, product, and service, simply because the market didn't require much differentiation; every company had so many opportunities for mar-

ket penetration or simply adding new customers. Now, we're at the nexus – the stage where companies really need to differentiate. To me, that's our primary challenge, and we're starting to meet that challenge now. Going forward, we'll focus purely and simply on the customer, and how we can serve them better.

The fact is, there are plenty of applications and services in the little devices everyone carries around today. In fact, there's more processing power in one of these devices than in the first Cray supercomputers. But not all our customers are taking advantage of those services yet because some find they are too complex to use and access. I believe whoever is the first to simplify them for the customer is going to see significant amounts of growth.

Do the analysts and the financial community fully understand Orange's vision and its opportunities for growth?

Not yet, but that's because I've only been on the job for about four months and we haven't articulated our strategy yet. We also haven't gone to the market with some of the newer capabilities and services we'll deliver going forward. Of course, this will all take some time to play out because we still have to build some of the technology platforms. But I know we can build them because we're not going to invent new technology; instead, we'll apply our existing technologies in better ways than ever before.

How much of a role will the continued proliferation of technology play in Orange's growth? And as a technology leader, how difficult is it to stay on top of the advances that seem to occur virtually every day?

Technology always continues to evolve, and that is a challenge. But the more difficult challenge is to take the technology and deploy it in ways that are meaningful to customers. If customers find it meaningful, you can offer services they'll want to use, and if they use those services, of course, you can charge for them. Unfortunately, I think too many companies spend the bulk of their time building technology for technology's sake, rather than focusing on the customer's viewpoint. At the end of the day, it's about what the customer needs and wants, and that is our focus at Orange.

How do you define your strategy for using your website and leveraging the Internet in general?

The Internet is clearly a big opportunity for us because the mobile-services world is a per-minute, per-packet, per-transaction, per-subscription kind of business, in which there are plenty of revenue and margin opportunities. The Internet, with its continued evolution, and particularly with the expansion of broadband, demonstrates that there are numerous avenues that customers like to pursue in

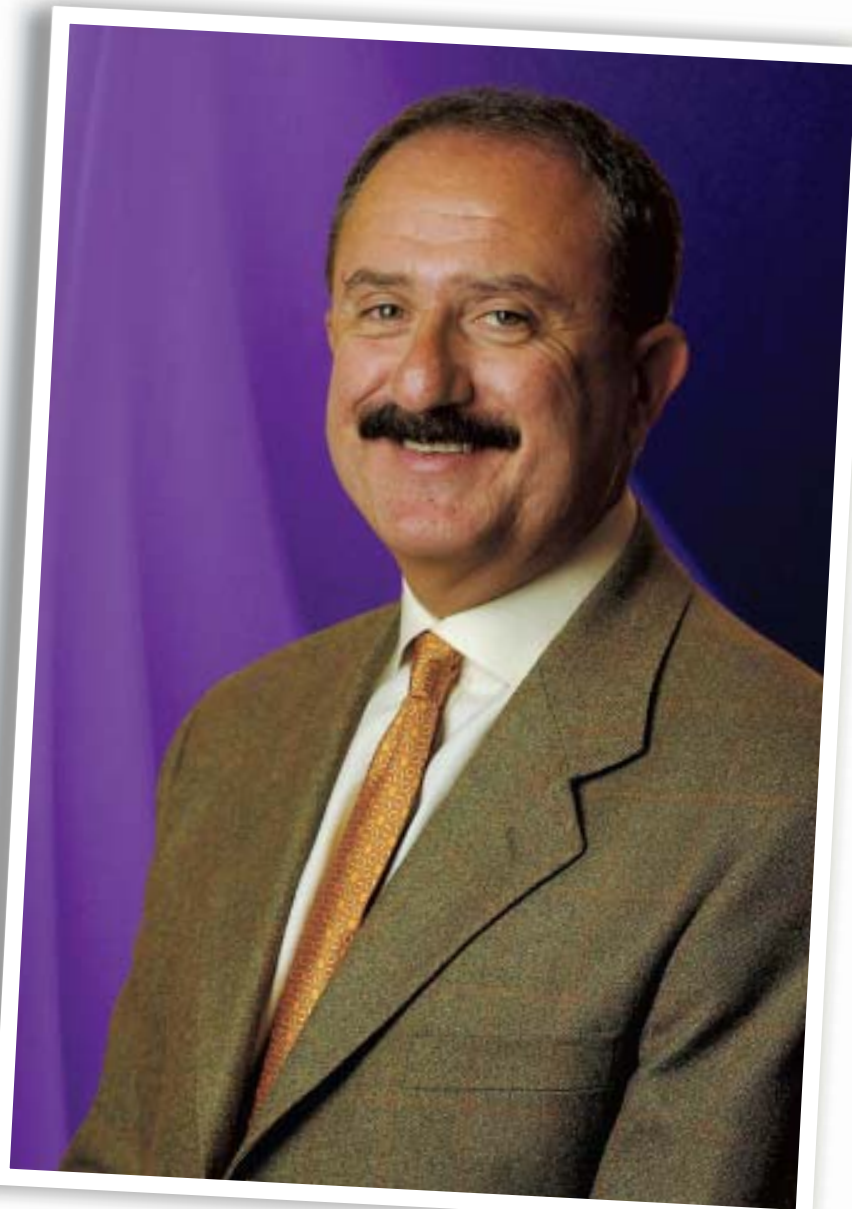
terms of seeking information and interacting with others. This trend, of course, creates significant opportunities for us.

Even with its high level of customer service, Orange has kept its costs very competitive. How do you balance these factors?

That's one of the most difficult issues every business faces. If you want to be customer-intimate, you need to provide good service, but at the same time, if you want to be competitive, you can't let your costs get out of line. What you must do, then, is focus your resources on the

Orange, and are you pleased with the company's ability to attract new talent?

Yes. In fact, Orange's people were one of the major reasons why I decided to take the job. We have a unique culture, we're always looking forward, and our people are very talented. At the same time, there's always room to enhance an existing pool of talent, which is what we've done by bringing in our new COO, Sanjiv Ahuja – a world-class executive who has grown up in the technology arena.



things that are important to customers. You must try to manage and leverage platforms and technologies as much as possible, while keeping a constant, unwavering focus on driving EBITDA and free cash flow.

Even in your business, which is technology-based, much of your success ultimately boils down to people. Do you have all the right people at

Will we see any major changes in the management team at Orange going forward?

There will be some changes, but there will also be a continuation of most of our existing team, whose skills and contributions will be increasingly important. The company now needs to move to the next level of competition, with a different business model, different products, and

different services. At the same time, we're retaining many of the elements that have been important in making Orange what it is today.

You previously served as CEO of other companies, and you've been a senior executive for a number of years. In light of recent scandals and public scrutiny regarding corporate integrity, do you think the role of the CEO has changed? How do you define the post today?

I think a quality CEO today is no different than he was yesterday. The fact is, there are plenty of CEOs who go through their entire professional lives delivering what their customers, shareholders, and employees expect with integrity and the ethics one needs to run a business. I believe that you never forget the classic principles that are drilled into you while growing up. The greater challenge today is one of increased scrutiny, whether as a result of legislative initiatives such as Sarbanes-Oxley or the media attention. Again, for executives who have the right values, principles, and ethics, I think their jobs aren't much different than they were before, except that there are more reports, filings, and disclosures.

As a result of a few recent corporate failures – the ones that have gotten so much press coverage – it seems that all businesses are now being painted with one broad brush. Does this trend concern you, and will corporations ever regain their previous levels of public trust and confidence?

It does concern me that businesses are being painted with one broad brush. Again, I believe the vast majority of executives run their businesses with the right principles and governance, but there are always a few that deviate from the norm, and unfortunately they will always be with us. I also believe there are now some necessary corrective measures underway. Perhaps the regulatory legislative proposals will bring public perception back into balance. I also think some things, such as dividend tax cuts, in which there's an emphasis on cash flow and earnings, need to be part of the mix. The few situations in which people have been carried away by greed tend to take everyone's eye off the ball in terms of what I call the balanced scorecard. The scorecard simply means that you have to grow the top line, grow your earnings, generate cash flow, and provide returns.

How difficult is it to achieve that balance today, especially given the increased focus on quarter-to-quarter results? Can CEOs truly focus on both long-term and short-term performance?

Yes, I think so. Leading companies have done it over time, and I think that we're now seeing a shift away from the extreme, narrow, quarter-to-quarter per-

spective. In fact, many companies are now saying that they're not going to give quarterly guidance or provide the same kind of detailed short-term information they've provided in the past. Instead, they want to deliver a more balanced perspective so that they're building their businesses to last, instead of just getting through to the next quarter.

What are your key priorities and challenges at Orange, and how do you intend to measure the company's success?

First of all, we have to continue to grow the business at the top line and the



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bottom line and provide true competitive returns. In addition, we have to innovate and build a new business model for the next decade. Right now, everyone is wireless is struggling with the same issue because of the way the market has evolved around the world. My first priority this year is to hit the kind of numbers I think the business can hit and to do it in a way that continues to prompt our customers to rank us as the leading wireless player.

In the telecom business, we've seen a tremendous amount of consolidation. Do you see that trend continuing in the wireless sector, and if so, will companies need to be large, global players to survive?

I do think there will be more consolidation in the industry. In Britain, clearly many players are hurting financially, so there's a probable need for some consolidation. This is also true in other markets around the globe.

The fact is, scale does matter, and those who haven't achieved a certain scale position will probably face consolidation, or their investors will demand it. But at Orange we've overcome the scale barrier, with 45 million customers and a multinational scope. Where we compete, we have good scale, and where we don't, we'll find ways to achieve it, whether through con-

solidation or some other means. I think that we're plenty big, but that doesn't mean we're where we want to be yet.

You've always been known as an executive who builds businesses and builds growth. Is Orange a long-term build for Sol Trujillo, or is your tenure attached to achieving certain goals?

I was previously on the board of Orange, and we were in a transition period once Jean-François Pontal announced his intention to retire as CEO. Thierry Breton, the chairman of France Telecom, and the board asked me if I would step in and take Orange through the transition and reformulation that it needs, and I have agreed to do that. So will I be here for another 10 years? Probably not, but I do intend to remain here to set the core, to deliver the numbers, and to do the kinds of things that are necessary for the business at this stage.

As an American newly at the helm of a European company, has it been a difficult transition?

Not really. Certainly the process and our customs differ. For example, in France, you have to get a special permit to serve as a CEO, which is an interesting concept. When I got my permit, they told me that I was the first American CEO of a CAC 40 company. Certainly, that was a surprise.

Does being an American make a difference, and have you experienced any special challenges or benefits because of your U.S. business background?

Being an American CEO has been an interesting and novel experience, simply because, in the case of French-listed companies on the CAC 40, I am the first one. But in terms of cultural differences, there are obviously language issues that I still have to improve upon. Other than that, I think people are very open to the American style of leadership. What I bring specifically as an American is an understanding of the true value of diversity. Whether you're French, English, Swiss, or wherever you come from, my value system is to appreciate those strengths and try to incorporate as much of them as possible into the business. In fact, that's been one of my key mantras in terms of building teams.

Was it a difficult personal decision to move to Europe at this stage of your life and career?

My wife and I are empty nesters, so I imagine it's a bit easier than it would have been if we still had small children. But Paris and London are great cities in great countries, and I believe my tenure at Orange is going to be a terrific experience. The fact is, the communications revolution isn't over, and we're at the forefront.

So the revolution has only begun?

Absolutely, or as they say here in France, *absolument!* ●