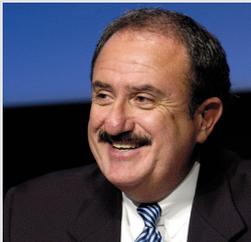


Russell Reynolds Associates' *Conversations on Convergence* features the thoughts and ideas of top decision makers in the world of convergence. We are helping to cut through the hype around this topic by speaking directly with those who are defining the future of this industry. Read them all on our Web site at www.russellreynolds.com.



Conversations on Convergence: No. 4, 2008



Sol Trujillo, Chief Executive Officer, Telstra Corporation Limited

In July 2005, Sol Trujillo joined Telstra, Australia's leading telecommunications company, as its Chief Executive Officer. He is overseeing an end-to-end transformation, driving Telstra's evolution into a media communications company. Prior to joining Telstra, Mr. Trujillo was CEO of Orange, making him the first American to lead a CAC-40 company; President and CEO of US West Dex Inc.; President and CEO of US West Communications; and CEO and Chairman of US West Inc. Mr. Trujillo is also a Director of Target Corporation. He has served on the boards of PepsiCo, EDS, Gannett and the Bank of America.

Q. What is your assessment of the current state of the convergence space?

A. We're operating in an increasingly integrated world, one which I prefer to call "integrated" rather than "converged." Customers are demanding

Customers want things to work together with no effort on their part.

effortless integration: They want devices to work together, seamlessly and on an intuitive basis. Customers want everything to work the same way, everywhere, whether they

are looking at a little screen on their mobile, a medium screen on their computers or a big screen on their TVs.

Consumers have undergone a fundamental lifestyle shift in the last 20 years. In the 1980s, we became "untethered" through the introduction and adoption of mobile phones. This was when there was a paradigm shift in the location of communication—we no longer had to stand next to a fixed-line telephone to initiate or receive calls. In the 1990s through to the beginning of this decade, we became "webified". This was when we became intrigued with the ability to browse the internet, communicate through email, gain information in an unlimited fashion...the world was at our fingertips. In this

decade, our focus on the web remains but it's increasingly entertainment-centric—a world in which we can choose from hundreds of TV channels. This heralds the next paradigm change of "timeshifting"—when we can watch a show anytime we want, anywhere we want, on any device we want. But today, I still have to do it all myself. I have to plug in, I have to sync, I have to choose, I have to add programs, I have to check my voice-mail, I have to check my e-mail. The question our customers are asking: Can't someone bring me the content, the services and capabilities, and make it simple and intuitive to do?

We're asking: 'Can't someone bring me the content, and make it very simple?'

Our vision will deliver customers one-click, one-touch, one-button, any-screen, real-time integrated solutions that are simple, easy, intuitive and valued by them. This is the heart of integration.

Q. You have worked in different countries around the world. Give us your global worldview on convergence.

A. To enable the one-click, any-screen, real-time experience, you need the right network



Australia is leading the world in wireless today.

building blocks. You need simplified, not disparate, networks with their own protocols. In the 1990s, Europe certainly led the world in wireless. Then Asia took the lead, especially Japan and South Korea, with highly innovative services.

Looking around the world, fixed-line networks have always been strong in the United States, but the United States has lagged in wireless. There are some regulatory reasons but other factors are also responsible. In part, it's because

The high-speed experience is obligatorily end-to-end.

mobile networks, at some point in the call, need to use a backhaul network. If the fixed and wireless networks are not integrated well, the result is a bad customer experience. End-to-end is vital: The high-speed experience must be end-to-end. At Telstra, we have built out IP infrastructure on a fixed line plus our high-speed wireless Next G™ network with IP. Today, I feel that Australia is leading the world in wireless. We were one of the first countries to integrate the fixed/wireless experience.

Q. What challenges does convergence bring to your business?

A. Telstra was a classic telecoms incumbent: big, sluggish, majority-owned by government, losing market share at an alarming rate. The Board of Directors brought me in to lead a turnaround; but in fact, it's much more. We're undertaking a five year, end-to-end transformation of our entire business including networks and IT infrastructure. As you can imagine, that's a big job. 100-year-old companies are like 100-year-old houses: Everything needs to be changed. The plumbing is old, the wiring isn't up to today's standards; everything needs to be changed. We are also

transforming the company culture from one demanding "fair returns" to one demanding "competitive returns"—that's how you attract human capital and partners that want to innovate and invest with you. We're transforming Telstra from a "telephone company" to a "media comms company"—that means we have traditional as well as new competitors. We are redefining the customer experience and the business model. We are creating value and our results show that it's working—we are taking market share and growing average revenue per user, margins and profitability. Our results rank at the top or near the top against international peers on the key categories of our business.

Q. What are some of the human capital implications of these changes?

A. It's something we struggle with! The challenge is attracting diversity in our people. The typical Silicon-Valley attitude is to "trash" legacy workers as being behind the times, and laud the future-looking 20-somethings. But that's not entirely the truth. You absolutely need people who understand the legacy aspects. You need people who know how to build, operate, and maintain these massive infrastructure systems. So-called "new" services like Google or Yahoo! can't function if the underlying infrastructure doesn't work. We need these big infrastructures, which are hugely complex, and the people who can run them, and that's a special skill-set. We need to make a new legacy world, an "IP legacy," from this old legacy. So you need diversity inside a company – not just one type of person from one sort of background. We also need market-centric and customer-centric people, and that's another human capital dimension that is not often talked about. What does some bit of technology actually mean to consumers? Are consumers

"New" services like Google or Yahoo! can't function if the underlying infrastructure doesn't work.

willing to pay for it? We're in business to make money, after all. If we can't sell some new thing, no matter how technologically great it is, then it's just an academic discussion. I've always been a

You need multiculturalism inside a company — not just one type of person from one sort of background.

zealot about needs-based market segmentation. People are always willing to pay for the value-added services that they want and need. Our company needs customer-centric people to oversee that.

Q. What's on the horizon?

A. The game is changing from who is the cheapest service provider to who brings the most value to the customer. Revenue generation will be more about delivering the best customer experience, and less about what you deliver. Our job is to create a much better customer experience. In summary, diversity of people is always a strength and competitive advantage...leaders need to nurture that concept if they want to win in the marketplace.

About Russell Reynolds Associates

Russell Reynolds Associates is a leading global executive search and assessment firm. We have more than 275 consultants based in 39 wholly owned offices across the Americas, Asia/Pacific and Europe. Our consultants conduct senior-level search and assessment assignments in a range of sectors for public and private organizations of all sizes. With our deep knowledge of major industries and our commitment to outstanding client service, we ensure that our clients find and develop the best leadership teams for the ongoing success of their businesses. For more information, please visit www.russellreynolds.com.

Our Communications and Convergence Practice

The Russell Reynolds Associates' Communications and Convergence Practice sits at the intersection of dynamic digital content, which is reshaping the way we work and play, and wireless and broadband networks, which keep us connected seamlessly around the globe. We also have significant experience in helping our clients recruit in the managed services and outsourcing areas. The combination of our experience with service providers as well as infrastructure solution providers (who design, build, and deploy their platforms and networks) allows us to work at the forefront of technologies including IPTV, WiMAX, FTTx, IMS, Ethernet, 3G/4G and VoIP. Finally, our success with assisting media and content providers and aggregators to leverage these powerful new technologies positions us at the heart of the convergence movement as the key human capital solutions provider on a global basis.

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