

T-Mobile's Strong Ethical Culture

INTRODUCTION

T-Mobile USA is a well-known company in the wireless telecommunication services industry. This highly concentrated industry has 1,600 companies in the United States alone. The U.S. wireless telecommunication industry earns revenues of \$210 billion annually. T-Mobile is the fourth largest wireless network provider in the United States after Verizon, AT&T, and Sprint. In this industry, ninety percent or more of all revenue comes from about 50 companies.

The wireless telecommunication services industry is changing rapidly, and T-Mobile is no exception. Whereas voice telephony and messaging have become common for even the more primitive cell phones, demand for advanced capabilities such as Internet access, videos, photos, apps, and music have required wireless carriers to adapt quickly. Blackberrys, iPhones, and Android smartphones are becoming the new normal. Research and development is therefore critical for companies like T-Mobile in order to develop the newest, most innovative smartphone products that will appeal to innovators and early adopters. Not only is it important for these companies to provide new and innovative products, but they must also deliver quality service to all customers while keeping other stakeholders in mind. As consumers continue to demand that firms of all sizes act with integrity, T-Mobile has attempted to create a reputation as an ethical company that cares about its many different stakeholders.

This case begins by examining T-Mobile's background and history. It then describes T-Mobile's purpose and core values. Next, we analyze how its corporate culture translates into strong relationships with its stakeholders. We then discuss its attempted merger with AT&T. The case concludes by looking toward the future of T-Mobile as a successful company.

T-MOBILE'S BACKGROUND

T-Mobile USA resulted from a merger between two American cellular companies in 1994. The merger between Pacific Northwestern and General Cellular created a new company called Western Wireless Corporation, the predecessor of T-Mobile USA. In 1999 VoiceStream Wireless spun off from Western Wireless Corporation. VoiceStream Wireless experienced major growth in both customers and market value, garnering the attention of German telecommunications company Deutsche Telekom. Deutsche Telekom acquired VoiceStream Wireless in 2001. The next year would see VoiceStream Wireless rebranded as T-Mobile USA. T-Mobile as we now know it was officially launched.

T-Mobile USA became adept at adding new innovations that were novel for the time period. For instance, it became the first carrier to offer BlackBerry® wireless handheld e-mail and the first in the United States to offer video messaging services. It was one of the companies that joined with Google in the Open Handset Alliance to launch the Android platform, which has become the most popular platform in the smartphone market. This partnership has proven profitable for T-Mobile as it has adopted the Android technology as its main platform.

Today T-Mobile USA, located in Bellevue Washington, currently has 36,000 employees. It offers a number of different products at various price points from manufacturers as diverse as Samsung, T-Mobile, HTC, Huawei, Nokia, and myTouch and with operating systems that include Blackberry, Android, and Windows. It has become the 4th largest wireless carrier in the United States serving 33.4 million customers.

T-MOBILE'S PURPOSE AND CORE VALUES

T-Mobile's goals are to deliver quality service and provide ways to create connections between people.¹ In an attempt to create a values-based corporate culture, T-Mobile created a Code of Conduct for the organization as well as a Supplier Code of Conduct for its vendors and suppliers. Its code specifies the following values to guide its activities:

- Customer delight drives our action
- Go big—Stay scrappy
- Respect and integrity guide our behavior
- I am T-Mobile—Count on me
- Team together—Team apart
- Best place to perform and grow.²

T-Mobile also provides guiding points that expand upon its values. For instance, it encourages employees to “Go big—Stay scrappy” by collaborating with others and spending T-Mobile's money as if it were their own (i.e. use as much discretion with the company's funds as your own). Teamwork is important to T-Mobile to ensure that the entire organization is on the same page in moving the organization forward. T-Mobile also presents examples in its code of conduct of situations in which an employee may be faced with an ethical issue. By familiarizing employees with the types of issues they might face, T-Mobile is able to use its values to provide guidance for its employees in ethical decision making.

¹ T-Mobile, “Careers,” <http://www.tmobile.jobs/about-tmobile-careers/our-brand> (accessed October 31, 2012).

² T-Mobile, “Our Code of Conduct,” June 2012, p. 9

T-Mobile also has a system in place to encourage employees to come forward with ethical concerns or questions. Its Integrity Line is available to employees, vendors, suppliers, and other business partners and can be accessed online or through the company's hotline. Internal stakeholders can use the Integrity Line to ask a question, report an unethical activity, and/or follow up on a report. Additionally, to ensure objectivity, T-Mobile has sourced its hotline to a third party called EthicsPoint. This use of an outside vendor helps assure employees that use the hotline that they will not be retaliated against for reporting in good faith.

T-Mobile recognizes that its goals and values are not set in stone. This is why the firm regularly examines its values and makes any changes that could better promote an ethical workplace. T-Mobile's leadership team participates in compliance training periodically to help them become better equipped to make ethical decisions as well as lead employees in the ethical decision making process. Every year T-Mobile holds a conflict of interest review. These initiatives demonstrate T-Mobile's willingness to take a proactive stance toward ethical conduct.

T-MOBILE'S STAKEHOLDER RELATIONSHIPS

T-Mobile recognizes that it must adopt a stakeholder orientation to not only meet the needs of its various stakeholders but also to gain an advantage in a highly competitive industry. Its emphasis on quality service and consideration of stakeholders has earned it accolades for its ethical conduct. In 2012 T-Mobile USA was nominated by the Ethisphere Institute as one of the "World's Most Ethical" companies for the fourth consecutive year. It also won the 2011 Top 100 Military-Friendly Employers Award as well as Wal-Mart's 2011 "Supplier of the Year" award. This next section describes how T-Mobile interacts with its various stakeholders.

CUSTOMERS

T-Mobile works hard to keep up with changing technologies by upgrading phones and phone packages to allow consumers to have a variety of choices that best fit their needs, with individual, family, mobile broadband, and value plan offerings. T-Mobile also offers different incentives for attracting consumers away from their competitors, such as \$50 gift cards for those who choose to transfer their number to T-Mobile.

T-Mobile has implemented a number of programs to increase customer satisfaction. For instance, T-Mobile has created the program T-Mobile Take Action, which allows people to advocate public policy makers for the best wireless connections. As industry regulators work with T-Mobile to come up with best wireless practices, T-Mobile invites consumers to use their resources to share stories with public officials and make their voices heard regarding the type of services they desire. T-Mobile also offers Lifeline and Linked Up programs in certain states that provide discounted fees to low-income consumers.

Additionally, T-Mobile works to have safeguards in place to protect customer safety. It lists information on its website to caution users about such issues as identity theft and phishing scams and familiarizes customers with its security policies. T-Mobile has also created “FamilyWhere,” a program that uses GPS coordinates and allows family members to see where other family members are located. This allows parents to make sure their kids are where they said they would be. It also offers Web Guard, an app allowing parents to restrict mature content on T-Mobile networks.

T-Mobile has also used its innovative capacity to invest in other projects that benefit consumers. For instance, it agreed to power the world’s first handheld multilingual medical communication system of its kind, which can be used to monitor the health of an individual. This system uses the data it gathers to signal to the caregiver what the patient needs. With its many programs and technologies, T-Mobile recognizes that its relationships with consumers go above and beyond quality phones and wireless capabilities.

EMPLOYEES

T-Mobile offers many benefits for its employees. In addition to medical, dental, and vision coverage for full-time employees, T-Mobile offers packages such as a 401(k) for retirement upon being hired and life insurance to all employees. T-Mobile desires to make the work-life balance easier on its employees by offering benefits such as a Childcare Subsidy Program, which donates money to employees to help them afford daycare; an employee assistance program to provide advice on their jobs, finances or child care; and educational assistance.

Employees receive discounts on two phones as well as discounts on travel, food, legal services, and even pet insurance. According to its Code of Conduct, all employees are to be treated in a fair manner and be given the opportunity to share their opinions, allowing for an open and creative environment.

VENDORS AND SUPPLIERS

T-Mobile views its suppliers and vendors as crucial to the success of its business. The company has a code of conduct for its suppliers, vendors, subcontractors, and business partners to provide guidelines for appropriate conduct. It also provides information on how to access the company’s Integrity Line.

According to the T-Mobile Supplier Code of Conduct, T-Mobile expects some of the following from its suppliers: honesty when billing for services, no bribes or kickbacks, and compliance with the intellectual property rights of T-Mobile. T-Mobile specifies that its suppliers must adhere to the company’s gift and entertainment policy, which includes refusing to give or receive gifts or entertainment valued at more than \$100 per year. Such policies are particularly important to comply with bribery laws such as the U.S. Foreign Corrupt Practices Act. Because many issues such as bribery are complex, providing clear guidelines

helps both T-Mobile and its suppliers understand what is needed to create an ethical and advantageous working relationship.

COMMUNITY AND ENVIRONMENT

T-Mobile USA has taken many steps to improve the communities in which it does business. For instance, the company has made it easy for its customers to donate money to relief efforts such as those in Japan through text messaging. With this, the customer is not charged for the text message, and it is not taken out of their monthly uses of text messaging. T-Mobile has also developed the T-Mobile Huddle Up program. This program seeks to engage children in fun activities while keeping them safe through after-school programs.

T-Mobile's MobilizeSM program provides information for how consumers can "green" their lives through such actions as recycling old phones and using apps to monitor their carbon footprint. T-Mobile allows consumers to recycle their phones at any of its retail stores or mail the phones back to the company. Additionally, T-Mobile tries to make its own practices greener by encouraging its employees to adopt more sustainable lifestyles, reducing its paper waste, and working with utility companies to save energy at its facilities.

GOVERNMENT

Government regulators are an important primary stakeholder for T-Mobile. Not only must T-Mobile follow laws applied to all business, including non-discrimination, bribery, and accuracy of financial information, but it must also comply with local governmental regulations that have great control over the degree of coverage in a certain area. This is likely why T-Mobile encourages its additional stakeholders to take part in lobbying or working with the government to ensure that the best coverage is granted.

T-Mobile must also take into consideration any rules or regulations brought forth by the Federal Communication Committee (FCC). For the wireless industry, the FCC is responsible for policies with telephone companies and legal issues related to communication. The growing proliferation of smart phones has called for wireless cellular phone companies like T-Mobile to increase security settings to prevent hackers from hacking into mobile devices.

Of particular interest to the government is the competitive nature of the mobile communications industry in the United States. This industry is dominated by four main players: Verizon, AT&T, Sprint, and T-Mobile. Because there are only a few dominant players, the government carefully monitors the industry to ensure that there is enough competition. If one player gets too much power, it could enable the company to take control of the market. Hence, T-Mobile must be careful that its activities do not run afoul of antitrust authorities. However, T-Mobile USA was recently thrust into the limelight after an announced merger with AT&T. This failed partnership will be discussed in more detail in the following section.

FAILED MERGER WITH AT&T

The mobile phone industry is now in its fourth generation, known as 4G. With so many different phone plans for customers to choose from, global competition is intense. In the United States the four dominant players on the market, Verizon, AT&T, Sprint, and T-Mobile, compete aggressively to gain market share. Often these companies compete on price, phone size, style, data storage, and other capabilities. Unlike its competitors, T-Mobile does not offer the iPhone (although this might change in the future). This prompted many customers who wanted the iPhone to switch carriers.

Analysts believe that T-Mobile's failure to offer the iPhone—as well as the severe economic downturn—led to its decreased market share. According to T-Mobile USA, it lost 390,000 contract customers in 2010. With T-Mobile USA struggling to retain customers, its parent company Deutsche Telekom explored alternative options. In early 2011 Deutsche Telekom announced that it was selling T-Mobile USA to AT&T for \$39 billion.

Opposition arose from the time the decision was announced. Combining the two companies would reduce the dominant players in the market to three, giving AT&T a clear competitive advantage. By acquiring T-Mobile's subscribers, the newly merged AT&T would have 42 percent of the market compared to Verizon's 31 percent. Despite the high initial costs, it was estimated that the merger would save the combined firm \$3 billion a year in costs.

Yet although both companies claimed that the acquisition would benefit consumers with better services and more jobs, consumers and regulators feared that AT&T could end up raising prices. In general T-Mobile offers the lowest prices of the four players; consolidating the two companies could increase prices for T-Mobile customers. Regulators feared that a powerful AT&T might squeeze out its other competitors, creating monopoly conditions. Having one or very few dominant players in an industry often leads to increased prices because the companies do not have to worry about competitors.

The Justice Department subsequently filed an antitrust lawsuit against the merger, claiming that it would significantly reduce competition. Several states, including California, New York, and Washington, joined the lawsuit. However, not everyone was against the merger. Large businesses such as RIM and Microsoft expressed their support. The union AFL-CIO also expressed support, most likely because AT&T has some unionized workers while T-Mobile has generally opposed unions. Civil rights groups such as the NAACP and the Sierra Club lent their support, possibly due to AT&T's stance on diversity and philanthropy.

To try and quell opposition, AT&T announced it was willing to make concessions such as selling some of the T-Mobile business to a competitor. However, after the FCC indicated that it opposed the deal, AT&T withdrew its application to the FCC and the deal fell apart. AT&T was forced to pay \$4 billion in breakup fees to Deutsche Telekom.

FUTURE OF T-MOBILE

After the merger failed, T-Mobile USA found itself back in its status as a struggling fourth player. Additionally, while still maintaining its high ethical standards, T-Mobile USA has been criticized for being against unions, and allegations of union-busting have been levied against the company. Because calls for unionizing certain groups of workers—such as its call-center employees—are not likely to die down anytime soon, T-Mobile USA will have to carefully decide its next steps to ensure that it maintains strong employee relations.

Although the acquisition with AT&T did not work out, T-Mobile USA has not been dissuaded from pursuing mergers with smaller firms. In 2012 the firm merged with competitor MetroPCS Communications. Regulators are more likely to approve of this deal. The deal involves a reverse merger, meaning that MetroPCS will “take over” T-Mobile USA to form the combined company under the name T-Mobile. By pursuing a reverse merger, T-Mobile USA will get public stock (Metro PCS is a public company). This could increase T-Mobile’s chances for growth as well as give it a greater opportunity to compete against its larger rivals.

The challenges for T-Mobile USA are many, but through it all the company has been able to maintain its reputation as an ethical company. Its integrity is a valuable resource for T-Mobile, particularly in an industry where quality communications and customer service are so important. As T-Mobile addresses challenges in its dynamic industry, it must continue to consider its stakeholders and create competitive advantages through thriving stakeholder relationships.

QUESTIONS

1. Describe ways in which T-Mobile demonstrates a stakeholder orientation.
2. Why were regulators concerned about the merger between AT&T and T-Mobile? Did this botched merger represent a failure on T-Mobile’s part to consider the concerns of regulatory stakeholders?
3. How can T-Mobile maintain its reputation for integrity while simultaneously being able to compete in a highly competitive industry?

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