

Building Trust

LEADING CEOs SPEAK OUT:
HOW THEY CREATE IT,
STRENGTHEN IT, AND SUSTAIN IT.



Ivan Seidenberg

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
VERIZON COMMUNICATIONS, INC.

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– Ivan Seidenberg

ETHICS IN ACTION

Much has been made in recent months about the importance of executive leadership and integrity, particularly at the top levels of corporations, and rightly so.

The public is absolutely right to hold corporate executives to the highest standards of conduct. Employees are right to look to their leaders to exemplify ethical behavior. And shareholders are right to demand that corporate leaders make decisions in the best interests of our owners, not merely ourselves.

Making CEOs publicly accountable for the actions of the companies we head is a crucial part of rebuilding corporate credibility. For my part, I want Verizon's shareowners to see my name when they look at our financial statements and know that I personally vouch for the integrity of our results, as well as the people and systems by which they were created. But while we're holding executives' feet to the fire, we also must look well beyond the executive suite when examining the forces that shape behavior—for better or worse—in large organizations.

The buck may stop at the CEO's desk, but it doesn't necessarily start there.

The only way I know to talk about ethical leadership—the only way the phrase is meaningful in an institutional sense—is in terms of how it's exhibited in the everyday actions of the people I work with at the company where I've spent the last 30-plus years of my life. That's because, when it comes to large organizations, leadership has less to do with any single individual—even if that single individual happens to have the title CEO—than it does with the culture, norms and values of the institution itself.

At Verizon, we've had the chance to test this thesis in two ways—first, when we formed our company in 2000, and second, when our mettle was tested in the crucible of September 11.

Most people are familiar with Verizon, the largest wireless and wireline communications company in the United States and employer of almost a quarter of a million people. But until a mere four years ago, Verizon as we know it today did not exist. It was formed from the merger of Bell Atlantic, the regional phone company in the Northeast, and GTE, one of the oldest independent telephone companies in the country. Both predecessor companies had long histories and strong

cultures that were a source of pride and identity for their employees and customers.

We wanted to make sure our new company—like our antecedents—would be “built to last.” If you’re familiar with that phrase, made popular by the James Collins book of the same name, you know that Collins defines a “built to last” company as a “premier institution...widely admired by its peers and having a long track record of making a significant impact on the world around it.” He also makes the point that elite institutions are just that—institutions, whose strength derives from the organization itself rather than from any single individual. The great institutions are those that are connected to something bigger than themselves, an idea that transcends the self-interest of any individual and motivates people to work for the good of the whole, rather than just themselves.

Our goal was to use the merger process to make ourselves a “built to last” institution by blending the best of our 100-year-old histories with the best of what we aspired to become. To do that, we thought it was important to put down on paper what our new company stood for—our values, goals, purpose and commitments.

We did that in a document called “The Verizon Promise.” If you read it, you’d probably say that it sounds a lot like other corporate charters, and you’d be right (*see Appendix*). Some of the words in it are those you’d expect to see—like “integrity” and “respect.” Some you might not—like “imagination” and “passion.” It says that our core purpose is to bring the benefits of communications to everyone. It talks about our obligations to customers, communities, shareholders and employees. And underlying it all—bridging every aspect of our business—is the idea of service. That’s what we are fundamentally about.

So from the beginning, we were a company with a shared idea of

who we are, what we're in business for, and what we believe in. Our self-definition grew out of a century's worth of experience as a service company and resonated immediately with our employees. We were confident that our shared values and sense of purpose would shape our employees' actions, even when there was no precedent for what they ought to do.

On September 11, 2001, this idea of ourselves was tested in a way we never imagined possible.

The attacks of September 11 hit Verizon hard, in both our wireline and wireless operations. While all three strikes were devastating, the damage to the communications network in lower Manhattan was almost beyond comprehension. Our huge central office at 140 West St.—one of the biggest, most sophisticated communications hubs in the country—is immediately across the street from where the World Trade Center towers stood, and it was inundated by debris, soot and water from the buildings collapsing around it. In addition to once housing more than 2,200 Verizon employees, it also serves as the communications nerve center for all of lower Manhattan, from the Hudson to the East River. We also provide cellular service in the area over towers dotting the skyscrapers of Wall Street.

Altogether, 300,000 voice lines, 3.6 million data circuits and 10 cell towers were disrupted or destroyed, affecting service to 14,000 business and 20,000 residence customers—rather like the network for a city the size of Cincinnati going down, all at once.

When you operate a vital network, you have all sorts of emergency plans and processes to rely on, all of which worked superbly to make sure essential services like 911 and police and fire department communications remained up and running. But no disaster plan could have

prepared us for the magnitude of what we faced that day. No emergency command center could have directed the actions of all the people who had to turn on a dime amid chaotic conditions. Those on-the-spot decisions have to be made by instinct.

For example, shortly after the attack, President George W. Bush issued a challenge that the New York Stock Exchange—whose communications network was destroyed when the Twin Towers fell—reopen in a matter of days. For Verizon, that meant installing more than three-and-a-half million voice and data lines, building new fiber-optic rings and restoring software systems—a project that would normally take weeks, if not months, to be done in just six days. Fulfilling this national imperative required our technicians to exhibit enormous initiative, skill and dedication in figuring out—on the spot—how to rebuild the communications network of lower Manhattan: pulling cable along trenches in sidewalks and out seven-story windows, hand-cleaning equipment and rerouting cables, walking up 23 floors to retrieve critical software...all in hellish conditions.

The result: Trading resumed on Monday, September 17—and the exchange went on to handle 2.3 billion shares on the day, the largest volume in its history.

For every Verizon employee on the streets of lower Manhattan, there were a hundred more behind the scenes, all of whom rose to a new level of leadership. They reached out to thousands of customers to help them get back on line. They worked with government authorities to ensure the security of critical communications links. They staffed the phones for telethons and donated thousands of dollars to relief efforts.

Verizon became a whole company of leaders, animated by the spirit of service and empowered by a commitment to a common goal.

The actions by our people in the wake of the September 11 attacks illustrate to me what leadership looks like:

- First—It’s based on skill, requiring people who are highly trained and proficient in their jobs.
- Second—Leaders are visible; rather than shrinking from problems, they go to the trouble and stay until it’s fixed.
- Third—They are accountable for the bad news, as well as the good.
- Fourth—They communicate early, often and openly.
- And fifth—They don’t need a “boss” to tell them what to do. Instead, their actions spring from within—a set of values that gives them a reason to do what they do. In our case, it was that America needed the ability to communicate. It was as simple—and as profound—as that.

Obviously, the actions of the individuals who did the work in those harrowing times reflect extraordinary personal character. But from a leadership perspective, the key lesson of September 11 is that it proves the “built to last” thesis: Great institutions produce great leaders, not the other way around. If it’s not in your DNA to do the right thing in normal circumstances, you’ll never do the right thing in extraordinary circumstances. If that’s the case, then it means that the “system” counts—strong, values-based systems that empower individuals to act in such extraordinary ways that the whole becomes greater than the sum of its parts.

Now comes the hard part.

The job of the Verizon leadership team is to take all the history and tradition of the *last* 100 years—the rock-solid culture that allowed us to rise to the most difficult of challenges—and use it to create something lasting for the *next* 100 years. The challenges of transforming the telephone business into the broadband business will require us to re-imagine how we deliver everything from education to health care to government and financial services. If we do it right, we have the opportunity to produce not only a good return for shareowners and a good living for thousands of employees, but also something of lasting value to society.

So what's my job description? At a minimum, to do no harm. At best, to figure out how to unleash the collective leadership power of a quarter of a million people to create something permanent.

But at the end of the day, it's not about me.

I accept completely the responsibility for CEOs to be accountable for the actions of our companies and to set a tone of integrity, honesty and accountability. Verizon's employees and shareowners deserve to know where I stand on the tough issues and look to me to exemplify our values and express our point of view.

But I truly believe that the most important thing I can do for Verizon, long term, is be faithful to the principles of my institution, to guard its values and make sure they remain in sync with society's, and to reward employees' behaviors that exemplify and perpetuate them.

Great institutions—like great ideologies—transcend and survive the self-interest of any single individual, no matter where he or she sits in the corporate hierarchy.

Scandals happen when people act as if it's the other way around.

Ivan Seidenberg

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
VERIZON COMMUNICATIONS, INC.

Ivan Seidenberg is chairman of the board and chief executive officer for Verizon. He began his communications career more than 38 years ago as a cable splicer's assistant. His career has encompassed numerous operations and engineering assignments, including various leadership positions at AT&T and NYNEX.

As chief executive of Bell Atlantic and previously of NYNEX, Seidenberg was instrumental in reshaping the communications industry through two of the largest mergers in its history: the merger of Bell Atlantic and NYNEX in 1997 and the Bell Atlantic merger with GTE in 2000. He also led efforts in September 1999 to form Verizon Wireless, the nation's largest cellular business composed of the wireless assets of Bell Atlantic, GTE and Vodafone Airtouch.

Seidenberg also champions diversity both within and outside the company. Under his leadership, Verizon has made great strides in increasing minority employment and initiated a partnership with the U.S. Small Business Administration to increase the company's purchasing from minority suppliers. The company was cited by Fortune magazine in its list of "The 50 Best Companies for Minorities."

Seidenberg's commitment to education and advocacy of connecting students and teachers to technology led to his involvement with The New York Hall of Science and Pace University, on whose boards he serves. Seidenberg also serves on the board of directors of Honeywell, the Museum of Television and Radio, Viacom Inc., the Verizon Foundation and Wyeth.

He earned a bachelor of arts degree in mathematics from City University of New York and a master's degree in business administration and marketing from Pace University. He and his wife, Phyllis, have two adult children and reside in New York City.

VERIZON COMMUNICATIONS, INC.

A *Fortune* 10 company, Verizon Communications is one of the world's leading providers of communications services, with approximately \$67 billion in revenues. Verizon companies are the largest providers of wireline and wireless communications in the United States, with more than 139 million access line equivalents and 36 million Verizon Wireless customers.

Verizon is the third-largest long-distance carrier for U.S. consumers, with nearly 16 million long-distance lines. The company is also the largest directory publisher in the world, as measured by directory titles and circulation. Verizon's international presence includes wireline and wireless communications operations and investments, primarily in the Americas, Europe and Asia. Verizon is headquartered in New York City.

The mergers that have formed Verizon were several years in the making, involving companies with roots that reach back to the beginnings of the telephone business in the late 19th century.

For more information, visit: www.verizon.com.

Stock Symbol: VZ