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Jim Balsillie, chairman and co-CEO, Research In Motion

Focus, focus, focus

RIM's BlackBerry redefined the market for wireless handhelds. Here the industry pioneer discusses what's ahead for the sector and tells how he survived the high-tech meltdown with his basic management principles intact.

There may be a slowdown in the telecommunications and technology sectors, but you wouldn't know it by the sight of the overflowing parking lot at Research In Motion's sprawling corporate campus in Waterloo, Ontario. The company is taking over new buildings to accommodate its growing workforce—up from approximately 200 employees in 1998 to more than 1,400 by mid-2001—as it expands to meet increasing demand for its BlackBerry wireless handheld devices.

Since the BlackBerry's launch in early 1999, the device has attracted more than 246,000 subscribers, while RIM has signed on more than 12,000 corporate clients and entered into partnerships with heavyweights including IBM, Microsoft and America Online. Clients include Intel, Merrill Lynch, Credit Suisse First Boston and the US Army.

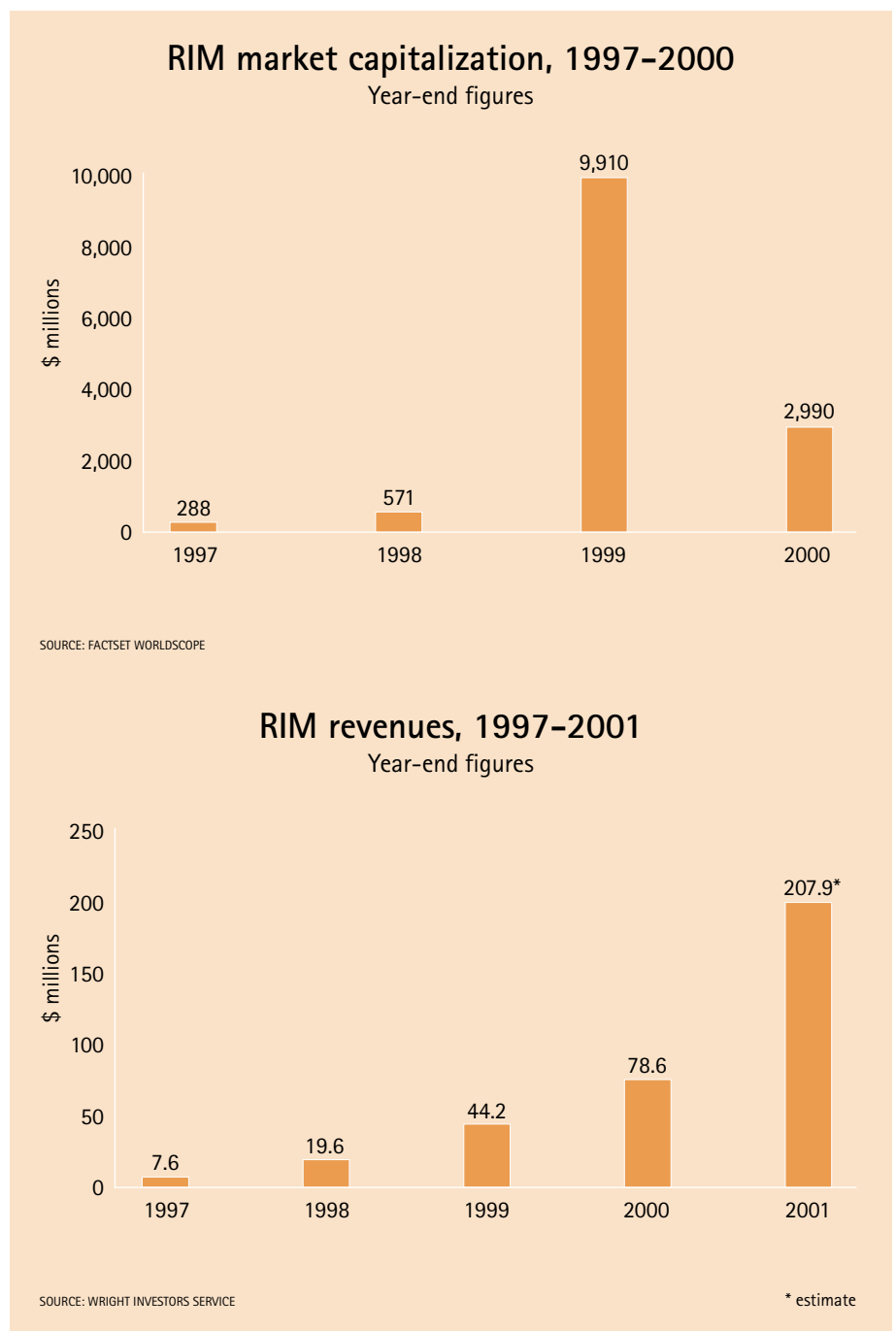
Given that Motorola and Palm are much bigger names in the world of wireless communications, RIM's BlackBerry has been a surprising success. The secret sauce? Its positioning as a tool that enhances corporate productivity by giving users the ability to send and receive e-mail on the go.

BlackBerry users are easy to spot, thumb-typing e-mail and messages on a pager-sized device the way 14-year-olds work a Nintendo console. With the wireless sector suffering from the downturn

in the capital markets, the move to build advanced 3G networks—they would allow devices like the BlackBerry and Palm handhelds to provide wireless broadband Internet access—has slowed. Despite that, when *Outlook* met with RIM chairman and co-CEO Jim Balsillie, he was optimistic about the next phase of the evolution of wireless communications.

Outlook: Let's start with convergence. Do you think that the next generation of mobile devices will be integrated? Or will people be content to have, say, a mobile phone in one pocket and your device in another?

Balsillie: This idea that one size fits all is really going to go away. The key is to create an environment that allows people to load different applications and run them. Voice communications



has been a horizontal, singular application that has been optimized for 20 years; you can use it the same way all over the world. You put in a number, you talk into it and that's it. But with data you get this segmentation both in device format and applications. So convergence is moving from the Model T Ford to describing the perfect vehicle in the 1990s. It is a function of your place and time and meaning. The perfect vehicle for some people is a van; the perfect vehicle for others is a sports car. It is a function of your needs.

To carry that analogy further, there are a lot of products in the car world that try to be hybrids. An SUV is trying to be a van and a sedan, for instance. I think what happens is you invoke trade-offs. In some respects, you can achieve integration; we've come at this market focusing on packets of different data, so ours are data-centric devices. And to the extent you want convergence, voice is but another software application in a data device.

For example?

I can show you a BlackBerry with voice on it that we are shipping to the UK. But it is a data device first. You can put multiple functions together, but you are still going to inherit a trade-off. When you put voice into a BlackBerry handheld, it is not the littlest cell phone out there.

How big is the appetite for data-heavy wireless services in the non-business market? Do you think services like NTT DoCoMo's i-mode, which has been a big hit with Japanese teens, is going to play well in the United States? How the world is going to evolve, in terms of the market demand for our products and other wireless data products, is a really good question. Our view is that all of the products in the category use Java developers [that] write programs that can run

anywhere. I think that's important because virtually all the cellular players are adapting Java—companies like Motorola, Nokia and DoCoMo. So to the extent that we provide a rich data appliance that supports J2ME [Java adapted for wireless communications], we don't have to create every new application on our own.

You've announced deals in Britain and Italy, with the promise of more to come. How do you see the constant confusion of incompatible wireless protocols abroad and in North America being sorted out?

Once these networks with different protocols and standards are installed, they don't go away. I think what we have learned is that customers are really not interested in protocols. Our approach with our devices and our software is to buffer the customers from the protocols. So our approach has been to assume that the protocol difference will continue, and we work on applications to buffer customers from them.

But doesn't that limit your ability to sell machines that will work both in Europe and in different parts of North America?

The approach is to have different hardware for different markets—which is what most people do, including us—and eventually to go to more multimode and multiband phones. But not that many people really fly across [the ocean], maybe 1 or 2 percent of users.

What is the most critical aspect of trying to roll out a next-generation wireless device in this market?

You don't want to try to be in too many areas on your own. In effect, you want to create the equivalent of a browser on a desktop PC.

We have proven one application: BlackBerry. We know another successful application: voice. But the

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truth of it is, there is this huge set of further potential things that we don't even know.

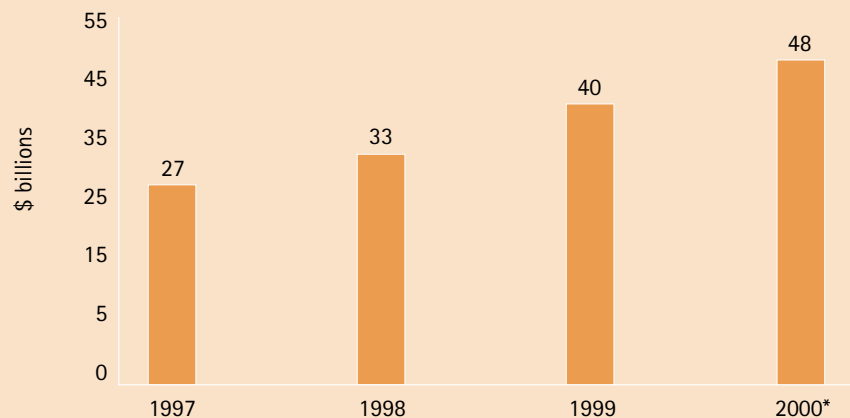
I mean, who would have thought auctioning PEZ dispensers was going to be the most successful business model on the Internet? Who would have ever thought that the 800-

pound gorilla of the Internet would be an access provider who didn't own the carrier, AOL? That was heresy! It was all thought to be coming from the carrier. My point is that revolutionary things are enabled through new platforms and new architectures, but they are hard to articulate and anticipate exactly.

Going mobile

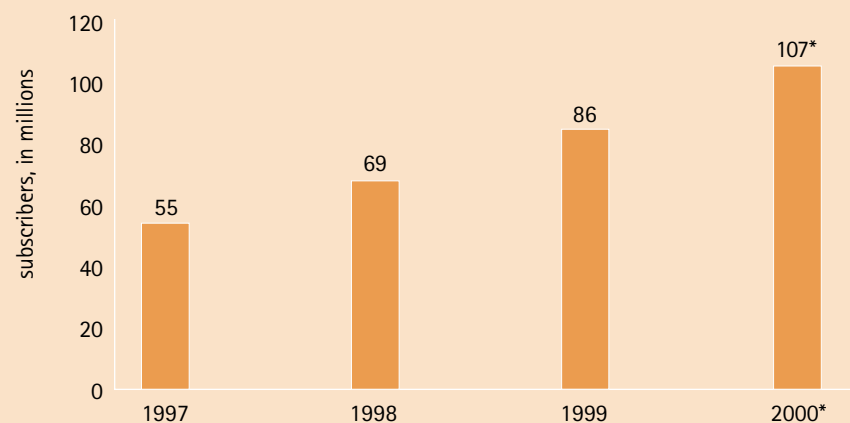
Revenues for cellular and personal communications services grew about 20 percent per year from 1997 to 2000 . . .

US wireless industry revenues
(cellular and personal communications services)



. . . and the subscriber base grew even more quickly over that period.

US wireless industry subscriber base
(cellular and personal communications services)



SOURCE: STANDARD & POOR'S

* estimate

In the same vein, how would you say a small Canadian technology startup made it to the forefront of this market?
I think we've had our success because we focused on wireless data ahead of its popularity. And we innovated. And third, we created a model of partnering; rather than contending with what was already there—from companies such as Microsoft and IBM and Lotus and so on—we chose to entrench and extend what was already there.

AOL is another one we partnered with. We don't want to be an Internet service provider. We don't want to be an operating system. We don't want to be a customer relationship management application. We don't want to be a database. And we don't want to be a carrier. We simply want to be an enabling technology that entrenches and extends what is already there.

A question on the top of everyone's mind these days is, How does a reasonably successful survivor of the tech rout in the capital markets operate in this environment? RIM stock has now fallen from a high of near \$180 to about \$24 [in early December 2001]. Does the issue of whether you will ever be able to achieve previous multiples affect your strategic planning?
The capital markets are a tool for two things: a source of capital to invest in growing your business; a source of liquidity for those who choose to buy or sell into the market. That's it—it's no more, no less. So the circumstances within the capital markets are not a factor in our planning, except to the extent where we are seeking capital to grow our businesses.

I think it's important to understand that the only way management can affect the company's share price is through operational performance. The other factor is general market

circumstances, and in that, management has no impact. I don't check the stock price; I have no idea where it is now.

You've been faced with some pretty difficult challenges—managing a startup, managing huge growth and managing through the wireless bubble. What have you learned?

I think the most important thing is to stay very true to your basic beliefs and principles. You have to understand and manage the internal environment, [and you have to] focus on execution to stay the course. If you can make absolute progress, you can make even stronger relative progress.

So I think the key is just to stay the course, stay very focused. We were interested in wireless data when it wasn't sexy, and we remained interested in it when it became sexy.

So what are you interested in now that is sexy?

Well, it is the same thing. We believe that this is going to have a profound enabling benefit to users, and we are going to stay focused on it. And we are going to continue executing, and we are not going to do any cute changes in strategies or dramatic changes in approaches or markets. We believe in the miracle of focused execution and therefore compounding, step by step, day by day. And that is what we do because we think it is important and we think we are good at it. No more, no less. And that's it. There [are] no good times or bad, long times or short. ■