

Telecom Trail for Black Americans

A strategic switch saved the wireless entrepreneur millions — and made him a role model



In early 1998, entrepreneur Michael Roberts jumped at what looked like an opportunity to make millions. He shelled out \$800,000 at a U.S. government auction as a downpayment on seven wireless-phone licenses serving the St. Louis area. The balance of \$7.2 million, plus interest, would be due in 10 years.

The auction was part of the government's plan to boost the minuscule minority ownership in telecommunications by selling licenses to small businesses. A great idea -- in principle. But Roberts, an African American who had started two broadcast television stations, soon saw that this scheme to own a little cellular empire could kill him financially. He figured he would have to shell out \$65 million more and knew that the government's good intentions had already backfired for a number of other black entrepreneurs: The huge cost of building a network had overwhelmed them. "A lot of [small] companies went into bankruptcy," he says. "Not me."

Instead, he approached Kansas City-based Sprint PCS, the deep-pocketed wireless carrier, which wanted small-business partners across the nation to help build and service the network that handles its calls. Sprint, which had never done business with a black-owned cellular operator before, was skeptical at first. But Roberts argued that he was their man: After all, he had started two successful companies in the TV business. Roberts said he would build the cell sites -- the towers that direct calls from cellular phones -- and market the service through his own retail outlets to college students and other rural consumers. Impressed, Sprint officials agreed to let him sell their service throughout most of Missouri, making Roberts' company Sprint's first black-owned affiliate. Roberts gave the licenses back to the government and signed with Sprint. That "sacrifice" gave him twice the territory his seven licenses had covered and the clout of a marquee name (Sprint handles all the billing and other paperwork). He also shook a \$7.2 million debt load from his shoulders.

"HE'S A MAVERICK." The St. Louis businessman expects Roberts Wireless Communications to reap \$11 million in revenue this year. By 2002, he's banking on 35,000 subscribers and his first profits. He's one of just a handful of black entrepreneurs who have broken into the telecom business. "He's proactive and energized," says Thomas Mateer, vice-president for affiliations at Sprint PCS.

How did he get here? Roberts' evolution as an entrepreneur has taken him from selling African

goods at Lindenwood University in a St. Louis suburb to ownership of 25 companies. Excluding the telecom venture, their revenues are about \$10 million now. Roberts now considers himself a capitalist, rather than an entrepreneur. "An entrepreneur's primary drive is to identify resources and make money for himself," he explains. A capitalist owns the tools of production and can spread the benefits where he wants to. Put another way: If Henry Ford had been black, his chain of managers probably would have been too, Roberts says. "In the Information Age, power will be in the hands of he or she who owns the backbone. I own a telephone company."

A few weeks ago, Roberts' trailblazing was recognized at the conference of the National Association of Black Telecommunications Professionals in Washington, where he was given the Granville T. Woods award, named after the legendary black inventor who built the first transmitter and sold it to Bell Telephone Co. "He's a maverick," says Monica Huddleston, NABTP president. "Entrepreneurship is the single most important thing we can be doing."

Roberts hasn't forgotten his roots as a struggling entrepreneur in St. Louis. The Roberts Companies buy at least 40% of their equipment and services from businesses owned by people of color and women. "As I build out my business, I bring people along and give them the chance to grow in the Information Age," he explains.

PUSHING THE BIG FISH. Who gets left behind in the Information Age is no minor social or economic issue. The 1996 Telecommunications Act, which opened communications markets to competition for the first time, let small businesses compete where huge monopolies once reigned. The law, which affects wireless and wireline telephone service, cable programming, broadcast companies, and services to schools, has spurred tremendous growth in communications businesses. But minority companies, which lack access to capital and deep industry connections, have been stuck on the sidelines.

The NABTP is eagerly capitalizing on Roberts' success to encourage other African Americans get into the telecom business as entrepreneurs, rather than pursue corporate careers. At the Apr. 22-25 conference, Roberts spoke about his experience in the wireless industry. It struck a chord with another entrepreneur, James Brady, vice-president at Telecon Ltd., a telecom products and services company in San Francisco. Brady, who spoke on careers, urged black telecom professionals to look beyond a nine-to-five job and toward creating companies -- and to seek inspiration from their pre-industrial African heritage. "Our ancestors did not look for jobs," says Brady. "They built institutions."

The 2,000-member NABTP also organized sessions on financing, introducing attendees to principals of small venture funds such as the Telecommunications Development Fund based in New York, which invests as much as \$1 million a year in minority-owned telecom companies.

Procurement is another promising telecom entry point. Big companies are committed to spending billions of dollars for services from minority-owned businesses each year. Bell Atlantic, alone, says it will invest \$1 billion in such ventures by 2000.

Roberts uses his growing financial clout to encourage the big fish among his business partners to make diversity a priority as well. After agreeing to pay \$34 million to wireless gear maker Lucent Technologies to expand Roberts' Missouri territory, he demanded that the vendor employ people

of color on the installation project. "My organization is about making sure we pass the benefits of success to others," he says. Surely, Granville T. Woods would have approved.

By Roger O. Crockett in Washington