

NETWORK!

FOR PEOPLE IN THE NETWORK SYSTEMS BUSINESS OF LUCENT TECHNOLOGIES

Employee broadcast postponed

Today is an historic day for our company. It's the first day that Lucent Technologies stock is being traded on the New York Stock Exchange. All of you have worked long and hard to get us to this point. We thank you and we congratulate you.

We had hoped to share all of the events of the day in a live all-employee broadcast this afternoon. Unfortunately, we had to change those plans very late yesterday.

We have been -- and continue to be -- subject to strict SEC restrictions on what and how we can communicate. We have been advised by legal counsel that the heightened media interest in our IPO makes a live broadcast inadvisable on the first day of trading. We all have worked too long and too hard to do anything to jeopardize the successful completion of our IPO.

So, we will be videotaping all of today's events, which include one of our colleagues from Network Systems in Oklahoma City making the first trade, and another one of our Business Communications Systems colleagues from New York City ringing the closing bell. More than 100 employees will be on hand to witness the day. And we will work hard to capture the excitement of the day in a broadcast that we will air at all locations as soon as possible (hopefully late next week).

We share your disappointment in not being able to broadcast the events to you live. But this is just the first of many exciting days for Lucent Technologies. We look forward to making history together. □

-- Henry Schacht and
Rich McGinn

Inside Network Systems: an overview

So you finally got the words "Customer Architecture" and "Offer Business Units" to roll off your tongue when along came the "Business Leadership Groups" and the "Product Realization organization." All hot on the heels of "trivestiture" and "Lucent Technologies." That's a lot of change -- for the business and your vocabulary.

What has really changed inside Network Systems recently? And what does it all mean for you? In the next few weeks, *NETWORK!* will explain it in a series of articles profiling the components of Network Systems and describing how they all work together to create value for customers and the business. We begin in this issue with a brief overview of the business and recent changes.

First, the big picture

To start, let's step through a Network Systems project to get a sense of the overall process and the key players involved.

The whole process begins with a customer who has a problem to solve. The "problem" could be solved in one of four ways: with a *product sale, a product extension, an offer, or a new growth initiative.* A product sale is just that, when a customer just wants to purchase a switch, or cables, for instance. An example of a product extension would be a service provider who wants to offer its customers a new service from an existing switch in its network. But, if the service provider wants to get into the long-distance business, let's say, a simple product sale or product extension won't do it. Instead, Network Systems will develop a total offer. Finally, a service provider may want to do something that's never been done before, such as offering next-generation Internet services, for example. This last scenario is considered a new growth initiative. All NS projects will fall into one of these four scenarios, and each scenario

Continued on next page

GTE names AGCS "Supplier of the Year"

At GTE's annual President's Leadership Awards, AGCS, a joint venture with Network Systems, walked away with the top honors, snagging the coveted "Supplier of the Year" award. Combined, AGCS and Network Systems won top supplier honors in four of the 11 "Best in Class" categories.

AGCS received GTE's President's Quality Awards in the Switching/Central Office Power category and in Central Office Engineering and Installation, while Network Systems received the best-in-class

awards in Transmission and Switching. The awards are presented as part of GTE Telephone Operations' annual Partners in Quality (PIQ) program.

Fifteen thousand vendors evaluated

For Lucent Technologies, this year marks the second time in four years that one of its business operations has won GTE's Supplier of the Year award, with Network Systems winning GTE's top award for the first time in 1991.

Continued on page 5

Inside Network Systems: an overview

Continued from previous page

will then follow a different internal process that ends with a problem solved and a satisfied customer.

Although NS has begun to leverage its ability to deliver total offers and partner with customers on new growth initiatives, in this article, we'll focus on the second scenario, a product extension. More information on how we manage total offers and new growth initiatives will be covered in subsequent *NETWORK!* articles:

- So, let's say the service provider wants to use its existing 5ESS® switch to offer its customers a new service. First, the NS Customer Team assigned to that service provider will have to gather information about the provider's needs and goals.
- The Customer Team, in turn, communicates those needs to the "lead" Customer Business Manager. In the case of 5ESS products, that's Jim Bodycomb for North America or Colin Golder for International. On projects that encompass multiple product lines, several Customer Business Managers will ultimately contribute to the customer's solution, but the one with the bulk of the project deliverables takes the lead.
- To analyze and respond to the customer's needs, Bodycomb and Golder will work with a small group of representatives from the key functions that have a stake in the 5ESS product line. This group forms the core of what's called a Business Leadership Group, something new in the NS structure (more below). Although there are some variations, the core team of each Business Leadership Group is made up of a North America Customer Business Manager, an International Customer Business Manager, and a Product Realization leader. In some cases, this core team will also include an AT&T account Customer Business Manager, a manufacturing representative, and a services representative.
- On this particular project, the core team of the 5ESS Business Leadership Group, led by Bodycomb or Golder, specifies the requirements, assesses costs and potential revenues, and works with the Customer Team to negotiate a customer commitment to purchase. Simultaneously, the software development plan, engineering plan, and associated budget issues are addressed.
- Once agreement is reached with the customer, the Product Realization organization can develop, manufacture, and deliver the products.
- Finally, Customer Operations and Program Management provides the services and support to round out delivery and installation to a satisfied customer.

Behind the scenes, the entire process is supported by employees throughout NS and by several Corporate Centers, such as Law, the Chief Information Officer, and Chief Financial Officer organizations, among others, which are centralized at the Lucent Technologies level.

Although not drastically different from the way projects were managed under Customer Architecture, the process described above does include some changes. The changes are aimed at speeding up decision-making, improving our execution, and getting products and services to market faster so that Network Systems can be more competitive and more profitable.

Why change now?

Why is NS making changes now? There are several reasons. To start with, NS President Dan Stanzione and the five other members of the NS Operations Council* are totally committed to keeping the focus on customers. However, as we moved quickly toward a customer-focused model, Customer Architecture, we lost some ground in flawless execution. The recent changes are being made to improve our performance and profitability -- and to deliver more value to our customers.

With the changes, NS also is responding to continuously evolving customer needs and marketplace imperatives, such as speed. In today's era of global competition, any company that isn't continuously doing "course corrections" and helping its employees master change and continuous learning will be left behind.

But while there is a lot of change going on -- both inside and outside the business -- in practical day-to-day terms, the recent changes mostly affect the way the leadership of the business operates -- and not the daily routine for the majority of employees. Still, everyone in NS needs to have a good handle on the new vocabulary (see glossary on page 4) and on who does what. So, let's take a closer look.

So, what's a BLG?

Perhaps the biggest change in Network Systems since the beginning of the year has been the formation of the new Business Leadership Groups (BLGs) -- cross-functional teams aligned by product/offer groups. For example, in addition to the 5ESS BLG mentioned above, there is an Applications Software BLG and a Fiber-optics BLG, to name just two others (see list on page 5). Think of a BLG as a product management team that makes sure its product line responds to customer needs while maximizing its contribution to Network Systems' bottom line. For "accounting purposes," there are currently 14 BLGs: 13 for products/offers, and one for Professional Services.

* The NS Operations Council is made up of Stanzione, Product Realization President Jim Brewington, North America CBU President Gerry Butters, AT&T CBU President Joe Colson, International CBU President Bill O'Shea, and Chief Financial Officer Frank D'Amelio.

Continued on next page

Inside Network Systems: an overview Continued from previous page

The core team of each BLG consists of a North America Customer Business Manager, an International Customer Business Manager, and a Product Realization leader. Variations on this sometimes include an AT&T account Customer Business Manager, manufacturing representatives, service representatives, or other business leaders with a stake in a particular project. As "virtual" organizations -- rather than actual ones you can point to on an organizational chart -- the members of the BLG core team work together to promote a common interest -- satisfying customers and making their product/offer line successful.

Centralizing the CBMs

Another recent change in the business was the reorganization of the Customer Business Managers (CBMs), who first appeared on NS organizational charts in early 1995. At that time, the CBMs were organized by Customer Business Units (CBUs), or in some cases, by Customer Teams. Their key role was to tell the product developers what the customers needed. Today, the CBMs are organized along the same product/offer groups as the BLGs. So there is a 5ESS CBM, an Applications Software CBM, and a Fiber-optic products CBM, to name just three. Notice a pattern here?

There is consistency across the business in the way the CBMs and the BLGs are now aligned.

To leverage the wealth of information that comes in to the CBM leaders through the Customer Teams, Network Systems also has centralized the CBM function: Jim Zucco leads the 13 product/offer CBMs for the North America CBU, Bob Holder leads the 13 product/offer CBMs for the International CBUs, and Wayne Fabricius is the CBM for the AT&T Customer Business Unit (formerly the Affiliates CBU). On the services side, Rock Pennella and Greg Hughes oversee the CBM function for North America and International, respectively.

What happened to the OBUs?

A third important change has been the shift from several stand-alone Offer Business Units, or OBUs, to one Product Realization organization, led by Jim Brewington. For the sake of your vocabulary, this means that you will no longer hear the term "Global Public Networks" to identify an organization. That's because, while NS will continue to provide networking solutions for public network operators, it will do so with a different structure other than the OBU structure.

Now, there is one Product Realization organization encompassing 13 product/offer groups, which include -- you guessed it -- 5ESS, Applications Software, and

Fiber-optic products, to name just three. This shift, along with the formation of the BLGs and the changes in the CBM function, will facilitate the work across product development groups to get offers to market faster. It also will help NS leverage its resources and its ability to deliver total end-to-end solutions.

In addition, our factories, which are part of the Product Realization organization, will change from being sources of manufactured product to being Global Provisioning Centers, with responsibility for all material required for on-time delivery. This includes material planning, manufacturing, procurement, and distribution. The aim is to achieve whole-order delivery on all systems orders, so that all parts of an order are delivered at one time to the customer.

What about Customer Support?

Another significant change is the centralization of Customer Operations and Program Management, or the "services" of Network Systems. This group, which includes installers, engineers, customer support organizations, and program managers, still works alongside the Customer Teams from the planning stages to completion of a project. In that sense, day-to-day operations stay the same. But now, rather than actually being part of the Customer Teams themselves, Customer Operations and Program Management teams re-

port in to regional customer service vice presidents (CSVPs). In turn, the CSVPs in North America report to Rock Pennella, and the CSVPs in the international regions report to Greg Hughes. This change was made to create a stronger focus on services and increase profitability while making it easier to manage the group's resources across the business.

As the CBMs for services, Pennella and Hughes also are responsible for developing integrated product/service offerings and stand-alone service offerings.

What's the role of Marketing?

Finally, one of the other big changes has been in the accountability and scope of the Marketing teams, which were previously organized by CBUs. Now, Marketing is one integrated team with global accountabilities. The new Global Marketing team is the critical driver in developing and positioning the Network Systems offers of Lucent Technologies in the marketplace. Coached by Angie McGuire, Global Marketing provides support to all of Network Systems' Customer Teams and customers. The team also has critical responsibility for business planning and strategy development for NS.

As "virtual" organizations -- rather than actual ones you can point to on an organizational chart -- the members of the BLG core team work together to promote a common interest -- satisfying customers and making their product/offer line successful.

Continued on next page

Inside Network Systems: an overview Continued from previous page

Among the seven functions McGuire and her team perform are: market analysis, business planning, strategy and portfolio analysis, marketing operations, and new growth initiatives. In addition to these traditional marketing roles, another function is sales excellence and marketing transition planning, which provides tools and processes to fully develop sales resources, manage sales recognition, and administer sales compensation. Still another is the business assurance function, part of which calls for increasing NS profits by expanding the use and development of Minority and Women-owned Business Enterprises (MWBES).

So, who's responsible for the bottom line?

Let's face it. In the end, it all comes down to being profitable. That's what creates value for shareowners and opportunities for employees. And the way to be profitable is by satisfying customers with world-class products and services at competitive prices -- all while running an efficient operation.

So, who's responsible for profitability in the new scheme of things? The short answer is that the CBUs

are still accountable for delivering the results. But they're just the end point in a long series of accountabilities. In reality, the CBMs are accountable for product line profit and loss because they are responsible for helping the Customer Teams within the CBUs to achieve their targets. While the CBUs and CBMs focus on profitability across customer sets and geographic areas, the BLGs focus on profitability across all product lines and service offerings. So, even if overall results are on target, if one of the product or service lines is underperforming, it's the responsibility of that BLG to find the cause and fix it.

If that's still too much to remember, just remember this: As you deal with your customers day to day, both externally and internally, serve them to the best of your ability and act as if you own the bottom line. The real bottom line is, *you do*. □

Questions? Send them to **NETWORK!** so we can address them in upcoming articles. Fax them to 201-606-3309 or e-mail them to attmail!nsnews.

ALPHABET SOUP -- a glossary of terms

Business Leadership Groups (BLGs): A Business Leadership Group is a cross-functional "virtual" organization led by a small core team of Customer Business Managers -- North America, International, and in some cases, AT&T CBU -- and Product Realization leaders. The BLGs respond to customer needs as they relate to their product line (i.e., SESS, Applications Software, etc.)

Customer Business Manager or Customer Business Management (CBM): The Customer Business Managers collect information about customer needs and market opportunities from the Customer Teams, establish priorities across Customer Business Units and Customer Teams, and communicate them to the Product Realization organization through the Business Leadership Groups. The CBMs have the overall financial accountability for the BLGs' product or service lines.

Customer Teams (CTs): The Customer Teams are the primary interface with customers. They identify current and future customer needs and feed the information back into Network Systems through their Customer Business Managers.

Customer Business Units (CBUs): The Customer Business Units are the primary customer-oriented groups within NS. They are organized around major customer segments: North America, AT&T, and four international regions -- Europe, Middle East, and Africa; Caribbean and Latin America; Asia/Pacific;

and China. CBUs encompass Customer Teams, Customer Business Management, and Customer Support and Program Management.

Customer Support and Program Management: This organization supports all the customer teams with engineering, installation, customer service, and program management.

Global Marketing: Organized on a global basis, a single NS Marketing organization is responsible for designing and developing specific marketing initiatives, developing content for marketing communications, and NS strategy and portfolio management.

Product Realization: The Product Realization organization combines the customer input it receives from the Business Leadership Groups with its broad range of core competencies, innovation, and talents to develop, manufacture, and deliver world-class products and services. Product Realization is made up of product/offer groups that align to the Business Leadership Groups and the Customer Business Managers.

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In a large pot, blend the organizations listed above. Stir in 60,000 skilled and motivated employees, world-class products and services, one Bell Labs, and one "innovation ring" ... and you have a recipe for success.

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The Business Leadership Groups (BLGs)

- SESS* -- J. Bodycomb* (CBM, North American Region [NAR]), C. Golder (CBM, Int'l.), F. Lax (PRC).
- Toll Switching, Voice, and Signaling Platforms (TSVS)* -- W. Fabricius* (CBM, AT&T, NAR, and Int'l.), P. Lessek (PRC).
- Access Products* -- J. Davidson* (CBM, NAR), J. VanLeerdam (CBM, Int'l.), J. Cicon (PRC).
- Advanced Intelligent Networks (AIN)* -- R. Barasia* (CBM, NAR and Int'l.), H. Bauer (PRC).
- Synchronous Optical Network (SONET)* -- R. Moscioni* (CBM, NAR), W. Fabricius (CBM, AT&T), W. Brouillette (PRC).
- Synchronous Digital Hierarchy (SDH)* -- M. Chan* (CBM, NAR and Int'l.), W. Fabricius (CBM, AT&T), P. Barth (PRC).
- Applications Software* -- D. Sabella* (CBM, NAR), B. Whitaker (CBM, Int'l.), R. Frank (PRC).
- Asynchronous Transfer Mode (ATM)* -- D. Schrifgiesser* (CBM, NAR), J. VanLeerdam (CBM, Int'l.), R. Thomas (PRC).
- AMPS/Personal Communications Services (PCS)* -- S. Erickson* (CBM, NAR and Int'l.), T. Vega (PRC).
- Global System for Mobile Communication (GSM)* -- L. Brown* (CBM, NAR and Int'l.), N. Favre (PRC).
- Fixed Wireless Loop* -- R. Longhitano* (CBM, NAR and Int'l.), W. Robinson (PRC).
- Fiber-optics* -- R. Mohalley* (CBM, NAR), S. Nishikawa (CBM, Int'l.), J. Carboy (PRC).
- Copper* -- R. Mohalley* (CBM, NAR), S. Nishikawa (CBM, Int'l.), J. Heindel (PRC).
- Professional Services* -- J.R. Newland*, D. Rickard.

*Denotes leadership

Oklahoma Governor thanks Lucent Technologies, OKC employees

Following a two-day National Education Summit in Palisades, N.Y., Oklahoma Governor Frank Keating made a special trip to Whippany, N.J., where he presented NS Product Realization President Jim Brewington with a statue of humorist and Oklahoma native Will Rogers. The presentation was made on March 28 at the Whippany Lucent Technologies facility.

The reason? To thank Brewington for Lucent Technologies' contribution to Oklahoma's economy. Lucent Technologies is that state's third-largest private employer.

Keating said the tribute was also to thank the employees of the

Oklahoma City Works (OKC) who are among the "best, most community-minded" people he's ever seen. He said they were among the first to donate blood and to volunteer to help the victims and families of the Oklahoma City bombing, which is coming up on its first anniversary on April 19.

Twice a year, OKC has the biggest blood drive in Oklahoma City. The day of the bombing, the factory presented a \$10,000 check to the Oklahoma Blood Institute to help with expenses.

"They're just very unique, very special people," the Governor said. □

"They're just very unique, very special people."

-- Charles Keating, Governor of Oklahoma

AGCS Continued from page 1

GTE annually evaluates 15,000 vendors who supply equipment and service to GTE. The PIQ survey measures quality of delivery, pricing, customer service, and product. Companies scoring 90 or better achieve preferred vendor status.

AGCS scores all-time high

For 1995, AGCS scored an all-time high of 93. The GTE Customer Team, likewise, improved its quality rating in three categories: Switching (90.3 or 1.6 percent increase), Transmission (90.2 or 1.9 percent increase), and Power (89 or .1 percent increase).

Established in 1989 as a joint venture, AGCS is 80 percent owned by AT&T, with GTE holding the remaining share. Lucent Technologies will assume 100 percent ownership of AGCS in 2004. The company develops, manufactures, installs, and maintains computerized switching systems for telephone central offices. □

Lucent expert tapped for wireless committee

Vic Hayes, Lucent Technologies' senior consultant for its Wireless Communications and Networking division, was re-elected chairman of the Institute of Electrical and Electronics Engineers (IEEE), Inc.'s 802.11 wireless local area network (LAN) standards committee.

The IEEE's 802.11 committee was formed five years ago to develop and recommend a wireless LAN standard. Developing standards is an important step toward multi-vendor interoperability, which allows customers to mix and match the products best suited for each application.

Lucent's participation in committees such as these reinforces our leadership position in bringing wireless technologies to customers as quickly as possible. "I'm pleased to be able to continue to lead this important group," says Hayes. "The IEEE 802.11 work is critical to making wireless LAN choices simple and easy for the end user." □

Correction: Last week's issue incorrectly stated that Consumer Products' consolidated facility for the development of wired products would be located in Piscataway, N.J. Although the location for that facility will be somewhere in south central New Jersey, a specific location has not been determined.

Letters to the editor

NETWORK! will publish signed letters as space permits -- reserving the right to edit for clarity. Please include your name, work location, and a contact number where we can reach you. Opinions expressed in the Letters section do not necessarily reflect the views of Network Systems management.

GTE standardization could open door to more sales

After more than three years, Lucent Technologies received word that its Total Network Management (TNM) Release 2.4 has passed GTE's rigorous product standardization requirements. TNM is a switched surveillance system used in GTE's Network Operations Center.

Why is this important, you ask? According to some industry analysts, GTE's standardization process is one of the most stringent in the industry. Receiving GTE standardization is the first step in being able to sell a product into GTE's regional areas on a large-scale basis. In addition, it means our TNM products are even better than before.

Quality on the rise

Jennifer Steinmetz, Lucent Technologies quality manager for the GTE Customer Team, says our overall average quality-of-product score grew from 88.7 in 1994 to 90.1 in 1995. The most significant improvement was in our product reliability/meeting-of-specification score, which jumped from 86.8 in 1994 to 92.0 in 1995.

"It was a full team effort trying to get this product delivered to GTE's

satisfaction," says Tom Stanley, account manager, Applications Software in Irving, Texas. "GTE's network has a number of unique capabilities and needs because of its geographic scope; it almost requires customized products and infrastructure. Our Columbus, Ohio, product team committed to having our final open items closed by the end of 1995, and we met our commitment."

An all-out effort

The Lucent Technologies GTE product-development and customer-support teams, headed by Roy Anderson, logged in lots of extra hours -- nights and weekends -- working to resolve technical GTE requirements that simply don't exist with other telephone companies.

"Meeting GTE's quality expectations has been key to opening the door to the sale of other applications," says Stanley. "As a result of achieving standardization for the TNM product group, GTE is considering purchase of the next release of TNM software to update and enhance its network surveillance capabilities." □

Remember the four Network Systems priorities:

- Focusing on customers and flawless execution;
- Investing in people (training);
- Demonstrating innovation and product vision;
- Overhauling our internal systems and processes.

NETWORK!

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