

NETWORK!

FOR PEOPLE IN THE NETWORK SYSTEMS BUSINESS OF LUCENT TECHNOLOGIES

AT&T Wireless chooses Lucent

AT&T Wireless Services has chosen Lucent Technologies to build complete, end-to-end wireless systems for 10 of AT&T's 21 Personal Communication Services (PCS) markets.

AT&T Wireless Services' two largest PCS markets, Chicago and Detroit, will both be equipped by Lucent Technologies, the market share leader for cellular and PCS systems in the United States. The agreement calls for Lucent Technologies to supply and install Time Division Multiple Access (TDMA) PCS hardware and software, including base stations, switching equipment, and associated services.

"We are eager to work with AT&T Wireless Services as they build the largest wireless services network in the country," says Joe Colson, president of the AT&T Customer Business Unit. "No other vendor offers a broader choice of wireless technology or has the resources we do to build and deploy wireless networks. We believe that our unique advantages will serve AT&T Wireless Services well as it builds its networks."

This is the seventh time that a PCS operator has chosen Lucent to supply PCS systems. In addition to this agreement with AT&T Wireless Services, Lucent Technologies has been selected by PCS PrimeCo, Sprint Spectrum, Centennial Cellular for Puerto Rico and the Virgin Islands, North American Wireless Inc., U.S. Intelco Wireless, and networkMCI Wireless Integrated Network to supply wireless equipment. □

Live from Hilversum: Stanzione on financials and the future

Thanking employees around the world for "a good start" to 1996, Network Systems President Dan Stanzione held his first quarterly broadcast today in Hilversum, the Netherlands. After David Rogers, president of the Europe, Middle East, and Africa region, opened the broadcast with a look at dramatic changes and opportunities in the telecommunications industry, Stanzione summarized first-quarter results and focused on the future.

Results roundup

NS reported a good first quarter, with revenues growing 17 percent over last year's first quarter. Domestic sales increased 12 percent, and international revenues grew 34 percent. "I'm happy that our performance contributed significantly to Lucent Technologies' 10 percent revenue growth for the quarter," said Stanzione. He cited key sales, including a multibillion contract with Sprint Spectrum and a \$100-million win with GTE

(see GTE article on page 4) in the U.S., and strategic sales in China and India.

Stanzione also reviewed period expenses, inventory, and Customer Value Added (CVA) results, among others.

"Expenses are a trouble spot for us," he said. "Year-to-date, we are slightly above plan. We need to be vigilant and hold the reins tight on this item."

Inventory continues to be a problem throughout the business, explained Stanzione, adding that a strategy was being developed to improve results in that area. He added that Customer Value Added (CVA) dipped slightly in the first quarter, compared to the end of 1995.

The best way to improve NS's overall performance, Stanzione stressed, is to focus more tightly on the customer and on excellent customer-driven execution.

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Inside Network Systems: 1996 Policy Deployment

[Editor's Note: This is the third article in a series about the NS business. The first, "An Overview," appeared in the April 4 issue; the second, "Our Globalization Strategy," appeared in the April 25 issue.]

Policy Deployment is alive and well and continues to be a crucial business strategy for Lucent Technologies and Network Systems. Since 1990, when Policy Deployment was first used by Transmission Systems group, and then

adopted throughout NS, it has been used to set the goals for the business.

This year's Policy Deployment matrix reflects our new culture, and focuses on key customers, employees, and business issues.

There are two elements to NS's Policy Deployment. The NS Policy Deployment "Golden Thread" identifies critical

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directions, long-term goals and short-term objectives. The NS "Broad Actions" Deployment matrix defines critical NS-wide projects and leadership chartered by the Operations Council. Together they reflect NS's focus on execution, vision, and on building critical skills across the business.

The "NS Broad Actions" feature seven initiatives that reflect NS's priorities, and support the three strategic directions of engaging our people, exceeding customer expectations, and increasing shareowner value. "Policy Deployment is a central part of our management system," says Network Systems President Dan Stanzione. "For flawless execution, we must have clear objectives and a management system to review objectives and results."

Something old, something new

When you look at the 1996 Policy Deployment chart (*see below*), you'll probably notice some old friends, such as Customer Value Added (CVA) and Economic Value Added (EVA), and some new friends, such as Cheetah and the Individual Skills Development Program. One noticeable difference is the absence of the Quality matrix from the Policy Deployment chart. "Quality is still an integral and important part of our business," says Bill Robinson, NS Quality and Customer Satisfaction director. "We view quality as the foundation on which the business operates. We will continue in the spirit of the past years with regard to our quality-related thrusts and commitments to enhance the quality aspect of our business."

In this article, we will take a look at the seven

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1996-1997 Policy Deployment Matrix -- NS Broad Actions

Direction	1996 Objectives	NS Broad Actions	Leader
Engage Our People	100% Execution Against Plans	Individual Skills Development - Business Management - Customer Service - Sales - Technology - Leadership	Stanzione Zucco/Holder Hughes/Pennella McGuire/Aversano Martin/Rodriguez Colson
		Organization-specific People Initiatives	Organization Leaders
Exceed Customer Expectations	CVA = 1.05	Customer-driven Execution - Commitment process - Deliverables tracked against commitments (% met) - Interval improvement (% improvement) - Cheetah Program	Brewington
		Customer-driven Product Vision	Butters
Increase Shareowner Value	EVA, MOI, A/R, Inventory = 100% of Plan	Asset Management - Inventory - Accounts Receivable - Capital Expenditures	O'Shea
		- Cheetah Program	Brewington
	Revenue = 14.7% growth	Seasonality	McGuire
		Product Cost	Rodriguez

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Policy Deployment initiatives, and show how some of the new initiatives fit into the Policy Deployment matrix.

The seven initiatives

Each member of the NS Operations Council is personally accountable for one of the seven broad initiatives.

Asset Management -- Led by Bill O'Shea, president, International Regions and Professional Services, this team will focus on inventory and accounts receivable.

Seasonality -- Last year, 85 percent of Lucent Technologies' 1995 profitability came in the final quarter. Angie McGuire, Global Marketing vice president, and her team will examine ways to equalize this imbalance (*see Lucent Liftoff article on page 5*). The team will focus on software sales and on our internal behavior.

Cost of Goods Sold (COGS) -- Ernie Rodriguez, vice president, Switching and Platforms, is leading this initiative. Part of this year's strategy is to continue the COGS reduction program, which turned in impressive savings last year, mostly in design changes.

Engaging our people -- The "Engaging Our People" matrix always has been an important piece of Policy Deployment. This year is no exception. Although the programs may be different, and the focus new, the NS leadership team is still committed to developing an environment that attracts, retains, and develops our most talented people.

Although NS is replacing the PVA matrix with a new one, the focus on people remains very strong. For this year, the Individual Skills Development Program has been added to the Policy Deployment matrix. "I'm committed to providing strong and targeted developmental opportunities, and I've acted to lead this effort," says Stanzione. "It's divided into five areas: Business Management, Customer Service, Sales, Technology, and Leadership."

Managers from throughout NS have been appointed to lead each of these areas. Joe Colson, AT&T CBU president, is responsible for the "leadership" component of this initiative. The NS leadership team is committed to the continuous development of its people and to making them more skilled and valuable every day. "Effective execution of our strategy depends on having talented people who are informed, skilled, disciplined, and focused," says Stanzione. "A business cannot grow if its people are not growing."

Organization-specific people initiatives -- Many organizations have defined organization-specific

Policy Deployment objectives and projects. The new matrix allows organizations to create programs tailored for them. So look for your own organization to focus on people initiatives this year.

Customer-driven product vision -- Gerry Butters, North America Region president, and his team will concentrate on understanding market demands, then using the best of our new technology to meet both existing and latent market needs.

Customer-driven execution -- Led by Jim Brewington, president, Product Realization, this initiative is the key to our success in the marketplace. Its intent is to attack significant problems in execution and in keeping commitments to customers.

Cheetah -- speed from quote to cash

Think fast. That's the essence of Network Systems' Cheetah Program, aptly named after the world's fastest animal. Introduced this year as a key element of Policy Deployment, the Cheetah Program, headed by Dan Stanzione, is designed to ensure NS's viability in the marketplace. The program will improve the financial viability of our business through flawless and speedy quote-to-cash execution. It also will improve our bottom line and our cash flow.

"Cheetah is absolutely essential for our survival over the next one to three years," says Jim Brewington, Product Realization president, and a member of the Operations Council. "It's crucial that we implement major changes to improve our operational performance for our customers and for our financial health."

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-- Jim Brewington, president, Product Realization

Key focus areas for the Cheetah program were identified through customer surveys and competitive benchmarking studies. There are five projects within the Cheetah program, each with an executive-level sponsor with enterprise-wide implementation responsibility, geared at reducing cycle time and making it easier for customers to do business with us. Here's a look at the "crucial five":

The "crucial five"

Project #1: Simplify Systems and Products -- Headed by Jim Brewington, this project focuses on minimizing the number of unique items we sell by simplifying products and combining products and/or services into standard configurations.

Project #2: Increase "Quote to Cash" Velocity -- Bill O'Shea is directing efforts to collect cash faster. This means ensuring that our contracts are "asset-friendly" and that our invoicing processes are flawless. The sooner we get paid for our products and services, the better.

Project #3: Manage Customer Expectations --

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Lucent lands big ISDN win with GTE

Any big contract win is great. But when you can virtually lock the competition out of the market in the process, the win is that much sweeter.

That's what the GTE Customer Team pulled off as it landed a four-year, \$100-million agreement with GTE in its plans to "ramp up" its ISDN (integrated services digital network) deployment in major markets throughout the U.S. The deal was more than a year in the making.

"This is an important win from several perspectives," says GTE Customer Team Vice President Steve Smith. "It gives us a strong foothold in the current GTE markets dominated by Nortel; it puts our systems into markets we hadn't yet penetrated; and it provides us with a strong opportunity to knock Nortel out of this market."

With the contract now in place, the number of 5ESS-2000® VCDX switches in the marketplace -- still a relatively new product for Lucent Technologies -- now will more than double.

Much of the success is the result of a sales strategy developed in combination with AGCS -- Lucent Technologies' and GTE's joint venture company. Working hand-in-hand, the two presented a solution that would provide GTE with state-of-the-art systems, while minimizing GTE's start-up costs and recurring operations costs needed to widely deploy ISDN.

"It was really a team approach," says Account Executive Scott Baker. "We put together a proactive proposal that actively addresses GTE's needs and wants. In

the end, it's a win-win for both companies."

The Lucent advantage

Some of the unique elements of the agreement include the utilization of Lucent's 5ESS-2000 VCDX to be used in combination with the existing GTD-5 digital central office switches in operation. In addition, ISDN will be provided through a combination of the 5ESS switch, SLC® Series 5, and SLC-2000 in other markets -- providing an important new revenue stream for our transmission product.

In all, the contract will give Lucent Technologies a four-to-one advantage in total ISDN lines deployed with GTE over the competition. To date, GTE has some 80,000 ISDN lines deployed, with plans to install well over 200,000

in its major markets.

For the GTE Customer Team, this marks the second major ISDN switching agreement with GTE in as many years. In 1994-95, GTE purchased more than \$40 million in ISDN from Lucent to add ISDN to its network around the nation, and became our first customer to purchase 5E10 software.

"This marks the first time Lucent Technologies and AGCS worked hand-in-hand to deliver a joint solution to solve GTE's network needs," says David Saar, manager of Product Planning for AGCS. "This contract realizes the intent of the JV to integrate Lucent Technologies' equipment to the GTD-5." □

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-- Steve Smith, GTE Customer Team vice president

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Gerry Butters' project concentrates on working with customers to align their expectations and our operational capability. This will improve delivery performance and allow us to meet customer expectations in shorter cycle times.

Project #4: Deliver Complete Systems and Products Reliably -- Headed by Jim Brewington, this initiative establishes single responsibility for whole-order and on-time material delivery to the designated location, as well as managing inventory to required levels.

Project #5: Accelerate Information Systems Change -- This project, headed by Joe Colson, provides the systems support required for the Cheetah Program projects.

More to come

We'll be covering more of these projects throughout the year. Look for more information in upcoming issues of *NETWORK!* □

Lucent's wireless LAN products to be marketed by Toshiba America

Lucent Technologies and Toshiba America Information Systems, Inc. (TAIS) have announced an Original Equipment Manufacturer (OEM) agreement which will enable Toshiba to sell Lucent's WaveLAN® wireless local area network products.

This is the second such OEM agreement between the two companies. Under the first OEM agreement, signed in 1994, TAIS agreed to sell WaveLAN local area network products in Japan.

"Toshiba has been a pioneer in bringing innovative technologies to the marketplace," says Wiley Ehrke, director of Accessories, Computer Systems Division of TAIS. "The addition of wireless LAN connectivity to the Noteworthy® accessories further enhances the capabilities of portable computing and introduces a leading technology solution to our customers." □

Zeroing in on priorities

"During last January's broadcast, I made you some promises, both on my behalf and that of the members of the Operations Council," Stanzione told employees. "I'm happy to report that we've been able to keep those promises."

Stanzione cited an approach called '20 Questions,' a framework to help everyone better understand their roles and responsibilities, as an example of a promise kept. "I'm confident that we are on the right path to go forward. We know we need to cascade these decisions to everyone, and we've started to do that."

"Another promise we made you was to revitalize Policy Deployment, to have our priorities reflected in our Policy Deployment strategy, and to select the few key strategic areas and projects to zero in on. I'm pleased to report that those tasks have been accomplished" (see "Inside Network Systems: 1996 Policy Deployment" article on page 1).

Stanzione reviewed the key Policy Deployment projects and their leaders, including the Cheetah Program, cost of goods sold (COGS), and a thrust to change the seasonality of the business (see *Lucent Liftoff* article on right).

Execution, execution, execution

"I thank you all for a very good start," said Stanzione. "I'm proud of the job you've done, much of it under pressure. But I don't think I have to remind you there's a very tall mountain ahead of us that we have to climb. We must execute well, and based on the improvement I expect, we will have a very good year."

Stanzione cited the recent passage of the Telecommunications Act in the U.S. and the merger of two sets of our biggest customers as an example of the ever-changing industry. "We will have to become more flexible, more agile, and above all -- more focused -- on customer-driven execution to respond to whatever opportunities these events generate."

Stanzione ended by reminding everyone that we're all in this together. "No individual is alone. We are in this together. Thanks again for the good work this first quarter. Let's keep up the good work. Let's execute. Let's have a good year."

[Editor's Note: Look for a summary of the broadcast questions and answers in next week's issue.]

Lucent Liftoff: countdown to cash

Five, four, three, two, one... we have liftoff! Lucent Liftoff, that is.

With Angie McGuire, NS Global Marketing vice president, leading the effort, the NS leadership team has rolled out Lucent Liftoff, a special sales incentive program for 1996. Designed for all salespeople around the world on the Sales Compensation Plan (SCP) and Marketing Liaison Bonus Plan (MLBP), the goal is to pull in cash earlier in the year.

Customer buying decisions traditionally have been delayed until near the end of the calendar year, resulting in uneven, seasonal cash flows for the enterprise. In the past, cash flow has started at a trickle in the first quarter and gushed late in the fourth quarter.

"This pattern of a last-minute spike in revenue was manageable when we were part of AT&T; however, now that we are Lucent, it is no longer a wise business practice. The Liftoff program is one of many activities planned within Network Systems aimed at leveling our income stream," McGuire says.

Achieve revenue objectives early

The countdown to Lucent Liftoff has begun for all direct salespeople up to and including E-levels

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Saudi multi-national Human Resources team cited for exceptional work

While multibillion-dollar deals to modernize the Kingdom of Saudi Arabia's telecom system were nabbing banner headlines over the last year, a Network Systems Human Resources team was quietly working behind the scenes to make the contracts happen. The shorthand label for the primary project is TEP-6 (Telephone Expansion Project-6), which is valued at \$4 billion. Also in the works is the Kingdom's Global System for Mobile Communications (GSM) that could be worth up to \$800 million.

The 33-person HR team working in New Jersey, the Netherlands, and Saudi Arabia had to staff up the TEP-6/GSM workforce from 300 to more than 1,000 people representing 32 nations. As might be expected, there were plenty of details to handle. Relocation of American, European, and Saudi families, visa applications,

arrangement of driving licenses and travel permits, as well as inducting new hires into the company, were handled at a blistering pace. In addition, policies and procedures had to be established, along with a new salary structure and review process. These tasks were completed in record time to keep the projects on track.

The HR team's accomplishments were recognized earlier this year with a citation from Curt Artis, senior vice president, Lucent Human Resources, and Greg Hughes, vice president, Network Systems International Services and Program Management. "Within incredible time constraints, across time zones, cultures and geography, you made it possible to deliver the resources necessary to meet the condition of our bid to Saudi Arabia," they told the team. □

Liftoff Continued from previous page

covered by either the SCP or MLBP between July 1 and Dec. 1. They'll be "going further than anyone has gone before" by achieving revenue objectives early. The plan covers all sales recognized from January through November.

Different versions of Liftoff have been developed for domestic and international Customer Teams to address variations between compensation plans and business conditions. All eligible salespeople should have received a brochure that was distributed beginning May 1 explaining the program. An update on the results through the first half of 1996 will be distributed in August. Winners will be announced as soon as the results are analyzed in November and December 1996 and January 1997.

Salespeople with questions about the program may either contact their local compensation administrator or fax inquiries, along with their name and e-mail address, to the Global Sales Support Organization -- Sales Compensation and Incentive Team, on 201-606-3028. □

Remember the four Network Systems priorities:

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

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.

Bell Labs 'qualification' process begins in Europe

Bell Labs President Dan Stanzione was in Europe this week to officially welcome two Network Systems R&D operations into the Bell Labs fold. The organizations -- Network Development & Support (ND&S) and Network Operation, Transport Access (NOTA) -- were the first to successfully complete the new Bell Labs Qualification Process. The directors of the new Bell Labs groups are Harry Moerkerken (ND&S) and Wim Bax (NOTA).

The groups, based in Huizen and in nearby Hilversum, The Netherlands, employ approximately 1,000 R&D people in six countries. In addition to the Netherlands, where a total of 620 employees work, other locations and approximate number of employees at each are: Malmesbury, U.K. (150); Tres Cantos, Spain (90); Bydgoszcz, Poland (75); Brussels, Belgium (60); and Bray, Ireland (50).

Their specialties are focused on the development of telecommunications switching and transmission systems. They also have been very active in collaborating on international telecommunications standards.

A void filled

"Over the years, some [aligned] organizations have expressed interest in becoming fully accredited members of the Bell Labs community," Stanzione noted. "We did not have a process on which to base a response. Last year, I asked Bell Labs Quality Director Bill Robinson to design a process to gauge an organization's innovativeness,

technical excellence, and quality -- all hallmarks of Bell Labs. What has resulted is a new, rigorous qualification process based on the fundamentals of total quality management, Malcolm Baldrige principles, and ISO 9000 standards."

Stanzione says the qualification process will be ongoing for all Lucent R&D operations. "Let me emphasize that organizations can apply, at any time, to begin the qualification process if they are 100 percent owned by Lucent Technologies, responsible for R&D work, and committed to continuous improvement in innovation, technical excellence, and quality."

The process assesses many key areas of the R&D model, including leadership, strategic planning, information analysis and results, human resources development and management, process management, and customer focus and satisfaction.

"Undoubtedly there will be questions about this new process," Stanzione adds. "It is important to note that Bell Labs is not a closed community. Rather, using this process, we are opening up the community to those who demonstrate and who are committed to the highest standards of innovation, technical excellence, and quality." □

NETWORK!

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