

NETWORK

NEWS ABOUT NETWORK SYSTEMS, ITS PEOPLE, CUSTOMERS AND COMPETITORS

Around NS



Network Systems Vice President Highlights NS' Quality Approach

October is Quality Month. George White, Network Systems Human Resources vice president, kicked off the month's activities by talking to more than 300 employees at the Oklahoma City Quality Conference last week. The American Society for Quality co-sponsored the conference under the theme, "Competing in the Age of the Networked Society." The Network Systems twin theme focused on "Responding to Customers." Here are excerpts from White's keynote address:

"Everywhere we go, the mantra is faster, cheaper, better. Well, how do we get faster, cheaper, better, yet keep our sanity and our focus? Exactly how do we perform in this networked society? How do we respond to our customers so that they are first to market with our new and existing products? How do we speed up development, focus on on-time delivery and execute flawlessly, day in and day out? How do we balance the demands of work and family and continue to beat the competition out of the gate as a way of life?

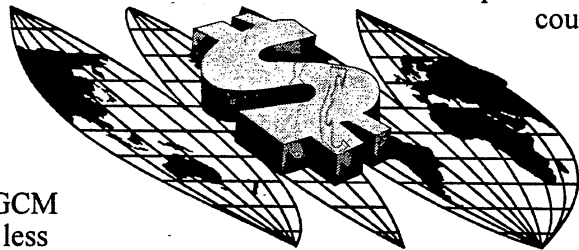
We've got the answer and it's all wrapped up in Policy Deployment. Policy Deployment, in the tradition of Network Systems focus on quality, is getting us there. As we head toward growth, customer excellence and great results, Policy Deployment is helping us set and

continued on next page 3

Feature

GCM Goes after Global Cash

Network Systems Global Commercial Markets (GCM) sells and ships a sizeable amount of products (mostly SYSTIMAX® Structured Connectivity Solutions and cable connectivity products) to customers outside the United States. Yet GCM was earning less than it could have back in May 1996. The reason: past due accounts. The GCM asset management team made changes by focusing on business excellence, improving communication and thinking globally—and the cash flow increased.



In May 1996 Ed Ronco, director, Contracting and Asset Management, joined the team to help lead the changes, starting with the Asia Pacific Region, which had the greatest percentage of accounts past due.

Ronco, along with the GCM Asia Pacific asset management team and the GCM

Chief Financial Officer organization, started tackling the problem in three steps.

Step one: They worked out a settlement/payment plan with past due customers.

Continued on next page

NS Announces

Lucent Wins \$1.5 Million Contract in Hong Kong

Lucent Technologies has been selected for one of the largest cabling projects in Hong Kong. Lucent will install the communications infrastructure for Cathay Pacific Airlines' (CPA) new

headquarters at Chek Lap Kok, Hong Kong's new international airport now under construction. Hongkong Telecom CSL—Lucent's value-added reseller—will install

NS Announces continued on page 3

October 9, 1997 Vol. 6 / Issue 43

What's Inside...

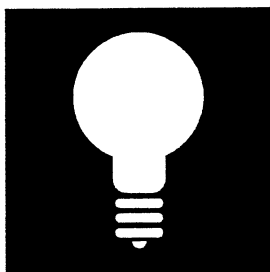
- 2.... Leadership Skills Portfolio Coming
- 4.... Industry Briefing
- 5.... McGinn on Data Networking, Wireless
- 5.... Lucent Boosts GSM Position
- 6.... Lucent, Nortel Weigh Metro WDM

Of Interest

Leadership Skills Portfolio Coming Soon

The Leadership Skills Portfolio, part of the Network Systems Skills and Knowledge Initiative, is being mailed to all Network Systems supervisors. The information package is designed to give Network Systems managers the tools they need to demonstrate the role-model behaviors associated with a high-performance operating environment. The critical high-performance leadership

behaviors for Lucent and Network Systems are: growth mindset, results



focus, obsession with customers and about competitors, an open and supportive workplace, speed, and the ability to build and lead teams.

A team of Network Systems people representing all parts of the business worked with Human Resources and the Learning & Performance Center to develop, test and fine-tune the portfolio. The portfolio includes a Network Systems Leadership Skills Review booklet, a listing of courses and behaviors to develop leadership behaviors, and frequently asked questions and answers on the topic. With it, supervisory managers and their coaches can identify leadership strengths and areas for improvement. The materials will also help in crafting 1998 development plans due Dec. 12, completing those plans and tracking progress in acquiring leadership skills and behaviors. For more information on the Leadership Skills Portfolio, contact your supervisor, local Human Resources Business Partner or Rita Pettiford by e-mail at rpettiford@lucent.com or by phone 908-559-6967.

Global Cash

Continued from previous page

Step two: The team began insisting on credit worthiness. They built a mandatory standard letter of credit, enforced credit limits, and warned they would put brakes on shipments with unresolved credit difficulties.

Colleen Burke and Shirley House, who tracked customer overdue accounts, began communicating more closely with Patricia Hawkins, International Sales Operations director, and the in-country teams. "By sharing our information we better understood the payment history of the customer," said Hawkins. "Customer service then had knowledge of which customers had credit holds, and we would stop processing their orders."

Step three: The team recognized their need to learn more about cultural payment practices. Some countries have cultural payment practices which differ from Lucent's practices, causing payment delays. One example is that Lucent's standard payment schedule is 60 days, but China's is 180 days. The asset management team headed to classrooms for international business practices instruction. By understanding the cultural differences, the team recognized more causes of late payment and began taking extra time to communicate Lucent's practices. The asset management group also decided that placing Lucent employees in various countries would help improve the collections process.

By May 1997 the team had collected over \$30 million in past due accounts receivable from the Asia Pacific region, dramatically reducing the percentage of the past due accounts. "Today, the GCM International Asset Management Team enjoys the least days between invoicing and collections than any other international team in Network Systems' Asia Pacific Region," said Ronco.

For the Asia Pacific asset management group's outstanding accomplishment, they accepted an award for making a significant contribution to the business, at the 1997 Network Systems Global Quality Team Excellence rally in Whippany, N.J., in May. The team was the first international group to be selected for the award in the past six years. Paula Drost, a team member who attended the rally, said that she is proud of the group's accomplishments so far but added that they will continue to create new processes and streamline existing processes to continue the reduction in overdue accounts and earn an invitation to next year's rally.

Ronco added that the GCM asset management team is incorporating for all accounts the practices developed to tackle the Asia Pacific collections dilemma. □

— Elizabeth Gill

October Lucent Magazine Focuses on Growth Opportunities

The October issue of *Lucent Magazine* takes a look at one of Lucent's greatest growth opportunities: services and support. The cover story tells how Network Systems and Business Communications Systems are taking advantage of the opportunity by creating new network service offerings. Network Systems' new

LUCENT
magazine

Network Reliability Center in Colorado is featured. Also featured in this issue are the 5ESS® 100 millionth line celebration, the Microelectronics Group's revolutionary new digital signal processor, and

Lucent's involvement in the Summit of the Eight. If you don't receive your copy by October 15, contact your mailroom. If your mailroom is unable to provide you with a copy, send an e-mail to Barbara Takacs at btakacs@lucent.com or call 908-582-5075. □

18,000 information outlets. Lucent and Hongkong Telecom CSL have successfully introduced the SYSTIMAX® Structured Connectivity Solutions (SCS) to CPA to replace its traditional cables. The project, valued at \$1.5 million, positions Lucent with two of the strongest name brands in Hong Kong and associates Lucent with one of the largest construction projects in the world.

Lucent Announces New Software and Product Compatibility at Trade Show

Network Systems' latest Internet Directory software release and the compatibility of its voice/data product were the focus of two announcements made at Network+Interop trade show in Atlanta this week.

New Internet Directory Software Release

Lucent demonstrated the latest release of its Internet Directory Server software, Release 3.0, and announced that GTE CyberTrust Solutions Inc. will trial the software in its Internet security applications. GTE CyberTrust will trial the software with electronic commerce, such as home-banking or shopping on the Internet. The new software release demonstrates Lucent's leadership in Internet directories. Coupled with the recent announcement of Four11's trial of the Internet Directory Server for use in its Internet telephony application, this announcement shows the flexibility of the product.



Voice/data Products Compatibility

Lucent and Xylan Corporation announced the interoperability of Lucent's SONET DDM-2000 multiplexers and Xylan's OmniSwitch™ ATM switches. The compatibility gives communications service providers an integrated solution for delivering voice and data services more cost effectively over their SONET networks. By connecting Xylan's OmniSwitch ATM edge switch directly to a new interface on Lucent's DDM-2000 SONET multiplexer, carriers can provide a host of voice and data services simultaneously over one network. The announcement shows Lucent is supporting a multi-vendor environment by making its products compatible with that of other network suppliers. □

Network Systems' Quality Approach Continued from page 1

focus on business goals and objectives. And, confronted with the change and flux around us, it is more critical than ever to set and follow individual and organizational goals and objectives and to align and measure our performance against meeting them. Policy Deployment is the answer.

Focused on three stakeholders—employees, customers and shareholders—Policy Deployment's six measurable initiatives will give us the competitive edge to engage our people, exceed customer expectations, and increase shareholder value.

The initiatives are **Q** Creating a High-Performance Operating Environment, listening and acting on the Voice of the Customer, exceeding Customer Expecta-

tions, Project Lightning, Project Cheeta, Growth and Financial Performance.

We're benchmarking tirelessly with high-performance companies and learning how *they* do things to satisfy customers and Wall Street because we want to grow up to be a high-performance company. And we're putting that knowledge to use through programs that help us create a high-performance operating environment. An open, supportive, diverse environment where every employee and every job is actively focused on growth, results, obsession with customers and speed.

A high-performance workplace populated by perhaps our finest attribute and our most important competitive edge: our people. Because quality is more than process, more than excellent product. Quality is excellent customer service. It's high-performance work teams. It's right-

skilled employees and it's a customer-satisfying attitude. It's delivering products on time—when customers say they want them. And only our people can deliver.

Recognizing the importance of our people and their contributions to the business, we are striving to align employees with the characteristics of a high-performing operating environment. To provide them *fast* with the skills to attain functional excellence.

So—with one eye on the customer and another on the competition—we are trying to attract and retain excellent employees, then help them develop and maintain competitive skills—depending on the needs of the business and linked to our Policy Deployment initiatives. In short, we need to maximize the potential of everyone of us as we enter the on-ramp to the high-performance highway." □

Industry Briefing

About Our Competition...

Nortel

Electric Outlets Plug into the Internet?—Engineers claim to have developed a breakthrough technology that would let homeowners make phone calls and access the Internet at high speeds via the electric outlets in their walls. If the technology developed by United Utilities PLC and Nortel proves commercially viable, it could transform power lines around the world into major conduits on the information superhighway. Because electricity flows into virtually every home and office, the new technology could give power companies easy entry into the phone and Internet access businesses, thus posing a serious threat to current providers of those services. But some questions remain. Although United Utilities' initial tests have been successful, technical and safety wrinkles have to be ironed out. There's also likely to be intensifying competition from a host of other wanna-be phone and Internet service providers. And for the new system to be commercially feasible, a power utility would have to sign up 40% or more of homes and offices in a particular neighborhood. (*The Wall Street Journal*, October 7)

Ericsson

Ericsson to Join Global Technology Research Project—Ericsson gave its backing to a Japanese-led research project to develop the world's first wireless multimedia system. The Swedish company said it was joining Nokia of Finland and Motorola of the US by investing in Japan's Yokosuka Research Park, a new "research community" dedicated to developing the access tech-

nology for the next generation of mobile phones. In addition to Ericsson, Motorola and Nokia, the YRP will house the research and development centers of at least 21 other Japanese companies and industry associations keen to develop next-generation mobile communications and multimedia technology. The unique research center has been designed to develop Wideband CDMA (code-division multiple access) technology, the radio access equipment Ericsson and others hope will be adopted as the preferred technology for the next generation of mobile phones. (*Financial Times*, October 8)

About Our Customers...

GTE

GTE Files Suit—GTE, which runs a national Internet Yellow Pages Directory dubbed Superpages, filed suit against Ameritech Corp., BellSouth Corp., Bell Atlantic Corp., SBC Communications Inc., US WEST Inc., Yahoo and Netscape yesterday in U.S. District Court in Washington, D.C. The suit alleges that they had banded together as a "cartel" to shut competitors out of the highly trafficked sites operated by Netscape and Yahoo. (*The Wall Street Journal*, October 7)

U S WEST

U S WEST Links Wireless, Wireline—U S West Communications entered the wireless market last week with an offering that closely matches the way personal communi-

cations services were originally envisioned. The wireless and wireline networks operate independently and use separate switches, but the wireline database has been linked with the home location register on the wireless side, said Peter Manetti, vice president and general manager of U S WEST Wireless. When a customer activates a wireless handset, an intelligent network trigger switches service over to the wireless network. "We've modified the features operation to have this transparent look and feel," said Brian Bolliger, PCS offer engineering manager at Lucent Technologies, which provides both wireless and wireline network infrastructure to U S WEST. U S WEST's strategy should help set it apart from the multiple wireless carriers that have already entered its markets. (*Telephony*, September 29)

WorldCom

WorldCom, Optus, And NZ Telecom Plan Cablelink—Australia's Optus Communications Pty Ltd., Telecom Corp. of New Zealand Ltd and WorldCom Inc. said they plan to build a optic fibre cable linking Australia and New Zealand with Hawaii and the U.S. west coast. The three companies said in a joint statement the project would cost about \$1 billion and provide 40 gigabits of capacity. The companies said the project is expected to start early next year and is due for completion in 1999. (*REUTER*, October 2)

Continued on next page

Industry Briefing

Continued from previous page

About the Industry...

US Telecommunications Firms Bullish on SE Asia—U.S. telecommunications carriers are still bullish on business prospects in Southeast Asia despite currency turmoil in the once-vibrant region, a senior U.S. trade official said. [U.S. Trade and Development Agency director Joseph] Grandmaison said he expected possibly slower economic growth, caused by currency problems, in every economy. "It's part of the risk factor. If there is a market opportunity that is open, you have two options. You could either go in and try to fill it, take some of the risks or you could wait until everything is absolutely perfect, and then the opportunity would have been filled," he said. He added that the key to success lay in finding a strong and capable local partner. (REUTER, October 3)

Bells Serious about Long Distance?—The nation's top telephone regulator [outgoing Federal Communications Commission Chairman Reed Hundt] in a parting shot, charged that the regional Baby Bells were not serious about complying with federal rules for entry into the \$80 billion long-distance phone business. More than 18 months after passage of the Telecommunications Act of 1996, Hundt suggested the Bells don't see long-distance calling to be as lucrative a venture as they once thought. (REUTER, October 3)

Exec Moves to Qwest—Qwest Communications International Inc., continuing its strategy for breakneck expansion, has lured away the chief manager of AT&T Corp.'s global network and has hired one of Lucent Technologies' key internal systems managers to take up similar positions at Qwest. Qwest has hired Brij Khandelwal, former vice president and chief information officer of Lucent's giant Network Systems Group. Mr. Khandelwal will be responsible for building and staffing Quest's computer and back-office technical operations. (The Wall Street Journal, October 6) □

NS in the News

McGinn on Data Networking, Wireless

CNBC: "Your bread and butter has been selling to phone companies. Data networking, though, is where most people think the future is. That's where you have to get, don't you?" McGinn: "It's one of the places we have to get. More than 50 percent of our business comes from new customers, so we think that even in our center plate business—network switching and enterprise systems—there's great opportunity here as well as outside the United States." (CNBC, October 7)

One area McGinn said he'll target is building sales of equipment for wireless phone networks using

Global System for Mobile Communications (GSM) technology. That market has been dominated by Ericsson and Nokia. (La Nacion [Argentina], October 6)

Lucent Boosts Position as Top Tier GSM Infrastructure Vendors

Lucent Technologies Inc. announced moves designed to bolster its standing in the GSM infrastructure mar-

ket. In particular, Lucent is addressing many of the issues that a company executive acknowledged as shortcomings in its GSM business last spring. The company will increase by approximately 600, the number of employees staffing its GSM facilities in Europe, Asia and elsewhere over the next fiscal year. Expansion of GSM-oriented research and production facilities in Swindon, England, and Nuremberg, Germany, is another key element of Lucent's plans. Lucent's GSM contracts have been won mostly in Asia; it currently is preparing to launch a DCS-1800 system in



Continued on next page

the Philippines. Significantly, however, Lucent's latest moves show that it means to make more of a mark in Europe, with a particular emphasis on the German market. (PCS WEEK, October 7)

Lucent, Nortel Weigh Metro WDM

As a swarm of vendors circled the market for short-haul wave division multiplexing [WDM] equipment in recent weeks, two of the largest global network equipment suppliers, Lucent Technologies and Nortel,

remained quiet. The silence ended at the National Fiber Optic Engineers Conference '97 in San Diego, as the two companies articulated somewhat different views. Lucent announced November availability for its new Metro Optical Line Solution (OLS) while Nortel opted to wait for a formal product announcement. "There are immediate metropolitan applications for WDM, with those Sonet interfaces," said Scott Grout, vice president of Lucent's Sonet and optical networking business. Meanwhile, Nortel is eyeing short-haul opportunities judiciously. (Telephony, September 29)

"The hot topic continues to be WDM," says NFOEC Co-Chair Felix Kapron, Bellcore's principal engineer for fiber media and components. He notes that last year was the first big WDM presence at NFOEC. "We pushed it two years ago, but there was very little interest." There is plenty of interest now. Conference rooms for WDM sessions had nearly 50 percent more seating capacity than concurrent sessions, yet the WDM sessions are standing-room only. (Fiber Optics News, September 29) □



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Letters to the editor



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MANAGING EDITOR
Ollie Hartsfield

CONTRIBUTORS
Rick Bossman, Elizabeth Gill,
Marie Panzera

Do you have an opinion to share or a story suggestion? Write to **NETWORK!**, Lucent Technologies, Room D3B09, 283 King George Road, Warren, NJ 07059. Fax to 908-559-1257. Send e-mail to nsnews@attmail.com.

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