

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Good morning. When I read the *Fortune* brochure about the conference, I noted it mentioned that all speakers had confirmed and that none had canceled. I was asked in September to come speak at this conference. At that point, right after our strategic restructuring announcement, AT&T and my PR team were consensus heroes and I was asked to speak on that subject. A few things have happened to our restructuring story since my invitation.

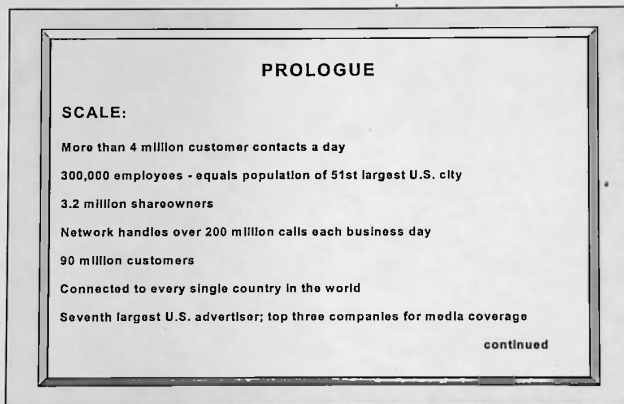


I'm now calling this story about our restructuring and downsizing, "A Morality Play in Three Acts" because it has a great deal to do with values, with how the nation sees itself, with how the nation sees business and with how business is reacting to the trends that are fundamentally changing it.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

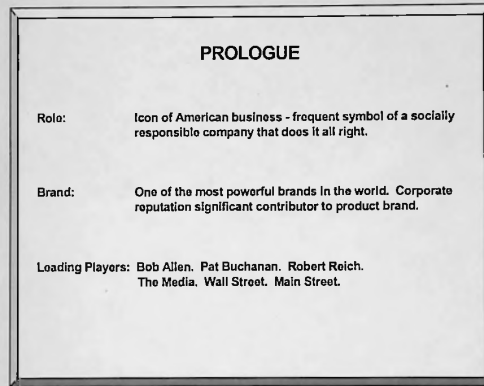
So, with apologies to Mary Chapin Carpenter, I have personally subtitled this play, "Some Days You're the Windshield, Some Days You're the Bug." And let me tell you, recently, we've had a lot of days as the bug.

Prologue: AT&T Facts



The prologue to the play provides some perspective about the scale of AT&T. This is not your normal company. We manage seven million customers contacts a day -- at a minimum. We employ nearly 300,000 people. We are owned by 3.2 million shareholders -- a great percentage of whom are individuals. We provide communications services to every single country in the world. In short, if you disrupt AT&T you can annoy a lot of people!

Prologue: Part Two



AT&T's role in our play is that of a company that has become an icon of business in the United States. For more than 100 years, we have been carefully managed and kept service at the center of what we do. If you look at almost any story about AT&T, you'll see us frequently singled out as a socially responsible company that knows how to do it all right. Our brand is a powerful part of our image. It is one of the strongest brands in the world. Our corporate reputation is a very substantial contributor to our brand reputation. We are a single brand company and our corporate reputation in many ways is the powerhouse behind the brand we advertise so heavily.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

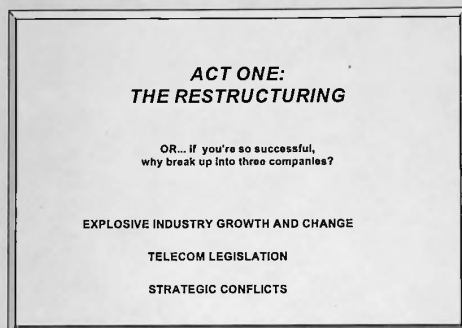
The leading protagonist in our morality play about a U.S. business icon plunged into conflict is Bob Allen. He is, by any standard, a very successful CEO. He is honest as the day is long. He always tells the truth, and he always tells it straight. He's a man who tells you what's on his mind. He is someone who cares very deeply about his company, about his people, and about his various constituencies. He grew up in the Bell System, but now describes himself as a converted monopolist.

If Bob Allen is the play's protagonist, the leading antagonists are Pat Buchanan and Robert Reich. They both saw in AT&T a number of opportunities to revitalize their diverse agendas. The media participates in the play as a kind of Greek chorus sometimes doing more script writing than reporting.

Wall Street and Main Street also have a prominent supporting role. The media casts them at odds with each other, but I have to tell you with 32 million shareowners and 11% of our stock owned by our employees, we see Wall Street and Main Street as two sides of the same character. They are less often in conflict than they are in collaboration.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Act One: The Restructuring



Now let's move to Act One. The fundamental message here is that technology has eradicated the boundaries between all forms of telecommunications, entertainment, publishing and computing. We have a paradoxically exploding and converging industry which is being fundamentally redefined. Over the next five to six years, what used to be several discrete industries is becoming the single largest industry in the global economy. This new, merged industry is growing at a very rapid pace and is filled with opportunity.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

From a customer point of view, the change is equally dynamic. Customers are demanding seamless global networks; not just local networks. In order to get better control over their very busy lives, they are demanding to be in touch -- as individuals -- any time, any where. People are demanding the ability to collaborate at work. They see this as a tool that makes their businesses more competitive. And everybody is focused on using the speed and efficiency of communication to drive their competitive advantage. This new, converging industry is actually wonderfully exciting and is, as you know, changing the way we live and work.

It also has clear consequences for AT&T. Let's look at some background. AT&T was a vertically integrated company, whose main divisions were equipment, services and computing -- all powered by Bell Labs as the technology base. Initially, these three parts of the company were very closely related. As the old telecommunications industry grew and spread, the parts of AT&T in some ways began to grow apart. Those of us in AT&T's senior management began to realize how very difficult, if not impossible, it was becoming to manage this enterprise that was increasingly spreading in different, non-complementary directions.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

This diffuse focus made it difficult to compete effectively in the various segments of this gigantic new communications and information services industry. This is the centerpiece of what I'm going to be talking about.

This new industry has both domestic and international components that are closely tied to political forces. Markets are liberalizing all over the world and opening up to new competitors. That means AT&T is preparing to enter the services market around the world. In the U.S., we passed the first telecom legislation in 60 years this past February. This legislation frees AT&T to go into the local phone business, and it frees the Regional Bell Operating Companies to go into long distance services. The legislation also frees cable companies, in effect, to go into everybody's business.

The relevance of this to AT&T in terms of this play is that we've been watching legislation develop for 10 years. We were very pleased with the way it ultimately shaped up in the U.S. But we certainly knew when this drama began that within a very short time we would be competing head-to-head with the RBOCs.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

In anticipation of this unleashed competition, AT&T's management executive committee had been discussing restructuring for almost 2 years. Each time radical restructuring came to the table, we concluded the problems in breaking up overwhelmed the advantages. But, as we got closer and closer to telecom legislation being passed, and as we began to battle the Bells in an arcane market called intraLATA -- statewide long distance -- it became obvious every day, especially as the battle got more and more rancorous in Washington, that no RBOC was going to want to buy its core technology from its chief strategic competitor.

This meant that each day we got closer to telecom legislation being passed, the prospects for our equipment business were getting dimmer. So, not only did we need to focus, because the industry was exploding and we could lose our leadership in any piece of it, but also because AT&T's sales of equipment to the RBOCs faced a stunted growth. The RBOCs were reluctant to buy equipment from AT&T, because we could use that cash to subsidize the communications services business that was going to become the RBOCs' chief competitor. That was the strategic conflict that ultimately drove us to the restructuring.

Act One, Scene One: AT&T's Goal

The Goal

Three new companies - each with the focus, speed, people and technology to compete successfully and seize the growth opportunities in its segment of the \$3 trillion global information industry.

Once we understood that restructuring was inescapable, we wanted to create three new companies each of which could be successful in its segment. Each of which would be nimble and agile enough to work in its segment. Each of which would work from the bottom up to figure what kind of people and how many people it needed in order to succeed. And each of which would deal with the kind of technology it needed, not only to compete well, but to grow in a global information industry that's expected to reach \$3 trillion by the year 2000.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

This was, and is, an extremely ambitious goal. To my knowledge, no company which dominated an industry in one generation of technology has ever moved over the wall into the next generation to continue as the leader in that industry. If you think about what happened to Pan Am, US Steel, or Penn Central, or what almost happened to IBM (and the jury's still out on this one) you will understand what's driving us to take action to ensure that we make it over that wall as our industry fundamentally changes. As Bob Allen likes to say about getting over that wall, "You can't do it just by fine tuning."

Unfortunately, a corporate restructuring is not something people warm up to easily. It's much easier to understand restructuring when a company changes itself because it's on the ropes, than when it tries to get ahead of change. Even when restructuring is required by law, people don't like it much. And we knew that first hand from when we restructured AT&T in 1984. I suppose we shouldn't have expected anyone to like it a whole lot when we did it again in 1995, but we were lulled into a false sense of security because the initial reaction -- on the face of it -- was quite favorable.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Act One, Scene Two: Projected Constituent Reactions to Initial Announcement

JULY: KEY AUDIENCE ANALYSIS	
Financial Analysts, Shareowners	Positive.
Customers	Neutral to positive. Proactive, caring customer contact could avoid confusion and even build loyalty.
Employees	Downsizing and uncertainty a major concern. In some ways, most critical audience.
Community Leaders	Less favorable. Will focus on layoffs.
Technical community	Bell Labs a concern.
International policymakers	Potential confusion, Bell Labs a concern.
U.S. regulators and legislators	Telecom legislation creates a volatile environment.
Unions...	
Suppliers...	
Partners...	

People ask me if I was surprised by the constituent reaction. As you know, restructuring was a very well kept secret. As I said, we discussed it in our management executive committee for almost two years. Bob didn't really come to the conclusion that it was something that needed to be done until about six months or so before the board actually approved it. I came into the scene at the end of June, and started working along with the 10 or 12 people who were involved.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

I did a very elaborate analysis of all the constituencies. I knew that -- with 28,000 people in central staffs required to coordinate across the AT&T major business groups and with the individual units having work to do to meet their competitive analogs on cost if they were looked at as individual units -- downsizing was going to be required. And we'd been through it before and knew that it was a powder keg.

The only other issue I was more worried about, or as worried about, was whether or not we would trigger some kind of national concern by the splitting of Bell Laboratories. That turned out to be a little easier to handle, although I've learned there's no such thing as an issue that can't come back to bite you later.

And so, to avoid unpleasant surprises, I did elaborate analyses for all of our constituencies. Because of our previous experience with divestiture and our more recent experiences with downsizing, anticipating the responses of our various constituencies wasn't rocket science. With these preparations completed, this brings us to September 20, 1995 and our restructuring announcement -- opening night for our play. The day's schedule went something like this.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Act One, Scene Three: Schedule for Restructuring Announcement

SEPTEMBER 20	
CHAIRMAN BOB ALLEN ANNOUNCES RESTRUCTURING	
9:05 AM	BOARD APPROVAL
9:08 AM	ALLEN LETTER TO EMPLOYEES RELEASED
9:10 AM	NEWS RELEASE - PR STAFF BRIEFING
9:30 AM	INTERNET POSTING
10:00 AM	ALLEN BRIEFS OFFICERS
10:45 AM	ALLEN VIDEO TO EMPLOYEES TAPED
11:00 AM	STAKEHOLDER PHONE CALLS & VISITS BEGIN WORLDWIDE
12:00 PM	FINANCIAL ANALYSTS CALL
2:00 PM	ALL EMPLOYEE BROADCAST WITH ALLEN VIDEO
2:10 PM	NEWS CONFERENCE
PM	AD RELEASED TO RUN FOLLOWING DAY
PM	SHAREOWNER AND RETIRED OFFICER LETTERS SENT
PM	SHAREOWNER & EMPLOYEE HOTLINES RUNNING

We did a massive information release. And for those of you who have to do projects like this it's probably not a surprise, but I made a presentation to the board. The board started at 8:00 a.m. By about 8:30 I was on with the communications plan. By 9:05 the board voted and we then pulled the switch releasing information to every conceivable constituent - almost simultaneously. We had worked with Bob on a major explanation of this as a letter. Some of you may have seen that. That was released electronically.

I also got approval from the lawyers to share some of this material five minutes ahead of the news release with employees so that we could

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

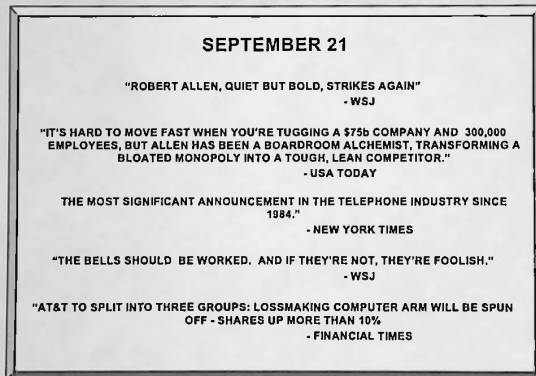
get to them first. So the letter went out first. Then the news release. We posted the announcement on the Internet immediately. At this point, I got all our PR staff together. Prior to this, I had only been able to bring in 3 or 4 people in the 4 days before the actual release to help me with our communications.

Bob held a 10:00 a.m. conference call with our officers who had been told an hour before to be ready for an announcement. He taped a video for employees to be shown right before the news conference. By 11:00, people who had been briefed at 10:00 were out contacting lists of stakeholders and delivering messages that we had prepared earlier. This went on all over the world for the rest of the day. By noon we had an analyst call. By 2:00 we were able to show the employee broadcast and then run the news conference live. We broadcast the news conference to our employee locations all over the world. We had an ad ready to go the following day. We sent out letters to shareowners, retired officers and got material ready for retirees. Everything let loose that afternoon.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

So what happened? What was the reaction? The print reaction was very positive. All of our messages appeared in one form or another, and we felt good about both the print and TV coverage.

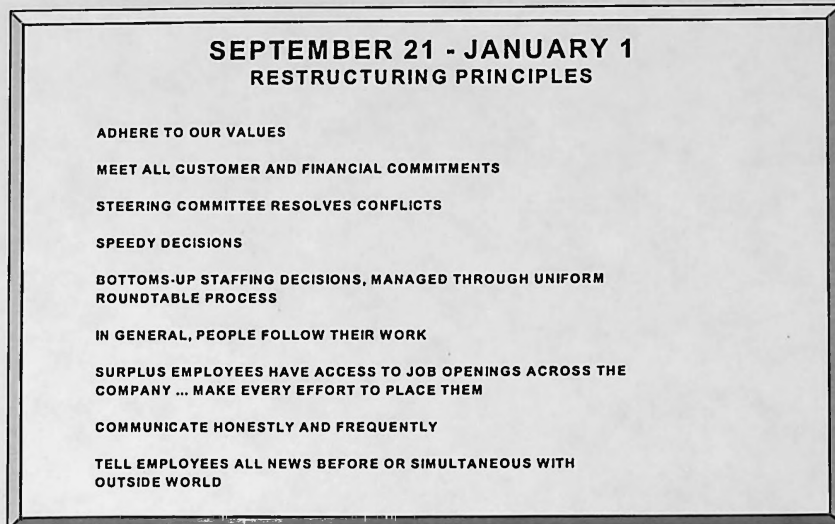
Act One, Scene Four: Initial Coverage of Restructuring



On September 21 the real work began. We had decided to restructure according to some principles which we really did our damndest to follow through the entire process.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Act One, Scene Five: Restructuring Principles



We have a set of corporate values. We tried to make this process values driven. When you restructure, it's very easy to lose track of your budgets and your financial commitments. When people change jobs because of downsizing, customer contracts can sometimes go down the drain. We were determined that absolutely no commitments would fall in the cracks as we moved forward. We had been there before. We knew how devastating that could be.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

On September 25, we created a steering committee of the CFO, the chief legal officer, the chief HR officer, Bob Allen and myself. Our job was to resolve conflicts so we wouldn't have a lot of issues bouncing back and forth around the company waiting for a decision.

As soon as there was a conflict, the design was to get it into the steering committee. Once there, we made the decision together and moved on. Speed was the name of the game. And, if any of you are going through restructuring, I can tell you, speed is of the essence.

There are two reasons to emphasize speed. First, turmoil is absolutely inevitable when you restructure. You have to minimize the turmoil by reducing the amount of time people are exposed to it. And second, competition in today's marketplace means you just can't afford to lose the time by having people focused on restructuring rather than on serving customers. Our plan was to act prudently, but to act fast. As you will see, it was amazingly fast.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

As we move toward the end of Act One in our drama let's look at staffing, communications, the buy-out offer, the roundtable process, and the initial public offering for our new systems and technology company.

We decided to approach staffing from the bottom up; not from the top down. This meant that individual groups within the business decided what skills they needed and what organization design would work for them. After that, the organization design was taken into a roundtable staffing process where people could be aligned with jobs. This approach is very different than just moving everybody into a new structure and worrying about where they belonged later.

In general, we wanted people to follow their work. In some groups this didn't work all that well. People ended up being shuffled around. But following current work was the general principle. Surplus people were to have access to jobs in the rest of the company. But, we were now restructuring the entire company and we really didn't think many people would be able to find room in the new companies. Even so, we were committed to make every effort to place people in the openings we had. As it turns out, we placed far more people than we thought we would.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Communications was a centerpiece and we did communicate steadily. The whole idea was to try to tell our people all the news that we could, either simultaneous with or before the outside world. So the restructuring pushed ahead roughly following an ambitious implementation plan.

Act One, Scene Six: Moving Forward

RESTRUCTURING PUSHES AHEAD	
SEPT 25:	EXECUTIVE STEERING COMMITTEE FORMED BEGIN DIVIDING ASSETS, PENSIONS, INTELLECTUAL PROPERTY
SEPT 28:	ALL EMPLOYEE BROADCAST WITH CHAIRMAN
OCT 12:	AT&T ANNOUNCES PRESIDENT S&T ANNOUNCES CEO AND PRESIDENT S&T BLACKOUT PERIOD BEGINS
NOV 2:	AT&T SENIOR LEADERSHIP TEAM ANNOUNCED
NOV 15:	BUYOUT PACKAGES OFFERED TO 72,000 MANAGERS
NOV 20:	S&T ANNOUNCES HEADQUARTERS AND SENIOR TEAM
NOV 20-DEC 15:	ROUNDTABLES FOR 28,000 STAFF PEOPLE

On September 25, we formed the steering committee and we began the division of almost a hundred billion dollars of assets. We had the second largest private pension fund in the world. We had intellectual property that had been accumulating at the rate of one patent a day since the 1920s.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

We continued with our communications. We had a leadership team to create and announce. Until it got its official name, we fondly called the new \$20-billion equipment company Systems and Technology -- S&T.

By October 13, I was providing PR counseling for three CEOs. That's a lot of fun. On November 2, we announced the leadership team for each of the new companies. On November 15, we announced the famous buyout offer. And, of course, by now the press was all over us.

The point of our buyout offer was, believe it or not, values, compassion, and respect for people. It was not money. This was a case where the idea was to offer a buyout to as many of our managers as possible. By doing this, we knew we would have fewer people to terminate involuntarily. Even though you may lose more good people than you want this way, the buyout offer helps make it easier for those people who are ready to leave to go. It also gives the people who think they don't want to make the journey with you to a new company -- which is something we learned about in 1984 -- a way out.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

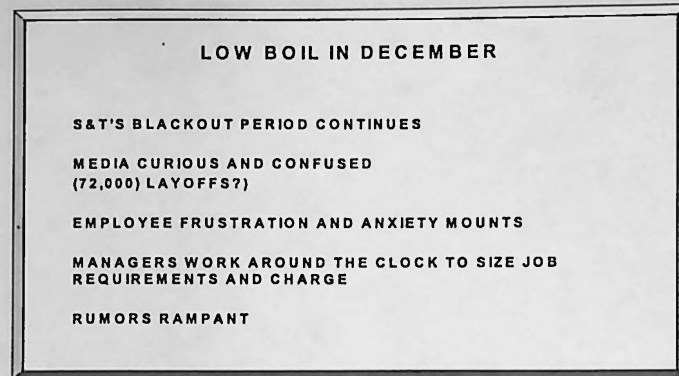
So, we offered the buyout, and we got creamed for it in the media. Next thing we knew people thought we were forcing 72,000 layoffs.

We moved on. We continued to get leadership teams in place and we started the roundtables for 28,000 staff people. Roundtables required everybody in the organization to have a resume and a supervisor's assessment. A group of people who were dealing with a particular unit in the organization would meet in a room with all the resumes, all the assessments, and the new organization design for their group. Every person being discussed needed to have someone in that meeting who knew them personally. Otherwise, the roundtable could not proceed.

Once they had all the tools and everyone was present, the supervisors worked together to decide who had the best skills going forward to fill the jobs on the new work chart for their organization. This began November 20 and went through most of December. We couldn't stop for the holiday season.

Act One, Scene Seven: December's Low Boil

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996



During December things were at a low boil. We were in a blackout period because we decided to finish the spin-off of the S&T company by the end of '96. We had to do this or risk getting killed in the marketplace. In order to finish the spin-off by the end of '96, we set a target of the end of the third quarter of '96 to begin the trivestiture. When we worked backwards from that date it became clear that we needed to do an IPO in the first quarter of '96.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

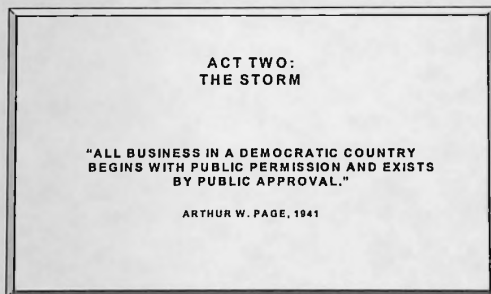
With that as our timeline, we were already entering the blackout period before the filing for the IPO in December of 1995. This meant we couldn't say anything to or about the part of the company being spun off. The lawyers were all over us because we were so visible. We couldn't even do employee broadcasts. We had to be mum. The media was totally confused by our silence. We were trying to give them as much information as we could, but this was not a simple story. You know what it's like to deal with a story that's complicated.

Employees didn't have the results of the roundtable process, but they were being asked to make a decision about whether to accept a buyout. They were extremely frustrated. Managers meanwhile were working around the clock to size our earnings charge and job requirements going forward. Let me make the point again. All this activity was driven by our commitment to proceed with an IPO for the S&T company in the first quarter of 1996. We were convinced that a first quarter IPO was necessary not only to get the timing right as we entered new markets, but because we knew we had to get this part of it behind us. We were trying to make sure the new companies went into the IPO with a clean balance sheet.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

To do that, we were forced to take any charges that needed to be taken from our 1995 consolidated earnings. And in order to do that, the charge had to be taken by December 31, midnight, 1995. This timing is at the heart of what follows. Rumors were rampant as all this work went on and we were preparing for "The Storm" -- Act Two of our play.

Act Two: The Storm



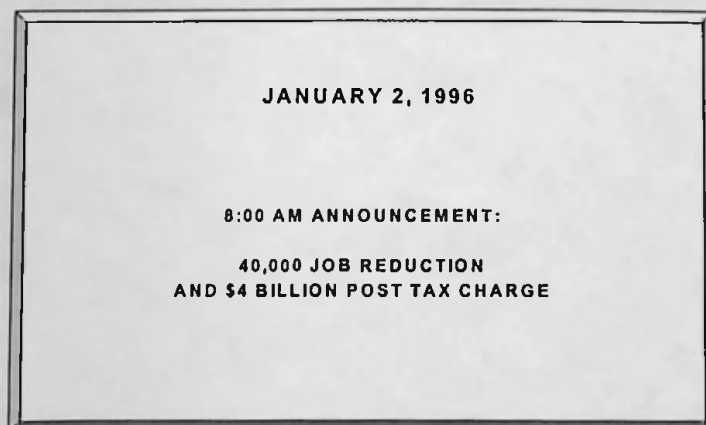
Some of you may know that Arthur Page was the first Public Relations Vice President of AT&T back in the 30s and 40s. There is a public relations society based on his concept that, "All business in a democratic country begins with public permission and exists by public approval."

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

I emphasize this lest any of us ever forget that in a democratic country we need public permission in order to be permitted, allowed, encouraged, and supported in carrying out our business mission. And, of course, in January of 1996 we were about to rediscover just how important "public permission" is.

We ran afoul of a national wave of public sentiment that was very angry at the way we were restructuring to compete in the business conditions we faced. The wave washed over us beginning on January 2 when we made our downsizing announcement.

Act Two, Scene One: Downsizing Announcement



Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

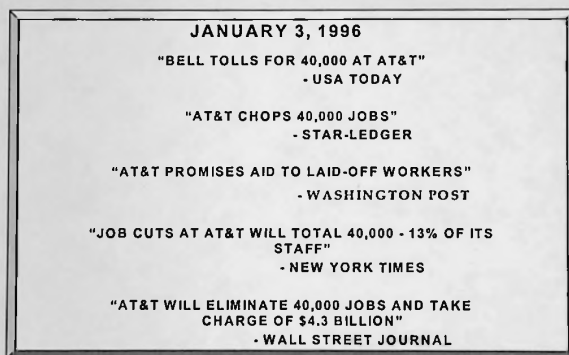
I fought the good fight not to make the announcement at 8:00 a.m. on January 2. I lost. There seemed to be maybe a little bit of legal wiggle room that could have given us a half-day longer to delay. Ultimately, the new CEOs decided that that wiggle room was not worth wiggling in. That's what forced us into this very difficult announcement in a way where our people came back from Christmas vacation and got hit with both literal and figurative blizzards.

We said we expected to eliminate 40,000 existing jobs. If you look at our press release, you'll see we said 30,000 were likely to be involuntary. Remember, the date for the response from employees on the voluntary offer we made earlier was not until the middle of January. So, on January 2, we had no way of knowing how many people would accept it. Our best estimate was that 30,000 people would leave the business involuntarily. Although, as we said in the press release, the voluntary offer could make that number smaller. This announcement also included a major charge against earnings which also figured in the coverage that followed.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

The print coverage was about what we expected. Some commentators made the point that jobs were being eliminated -- not people. At first, the print coverage was not either terribly inaccurate or unreasonable.

Act Two, Scene Two: Initial Media Reactions

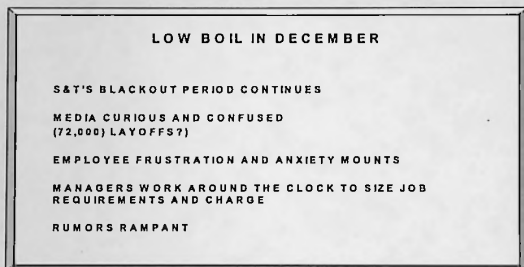


So what was going on here to cause the avalanche of negative publicity that was soon to follow? Obviously, the widespread economic anxiety issue was, and is, real. We did catch a national wave. Wages are still stagnating compared to where many people think they ought to be going. And obviously there have been millions of layoffs. Whether the situation is tenable going forward is the broader business issue for all of us to decide.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

The issues that began developing by mid-January increasingly distorted the reality of the situation.

Act Two, Scene Three: Fuel for the Fire



The combination of a populist political environment and an election year turned out to be the true disaster for us. Here we were, the symbol of doing everything right -- a business icon. And with the downsizing we could quickly be turned into the perfect symbol of doing everything wrong. The downsizing announcement began to be distorted. Remember, we said we were eliminating 40,000 jobs over 3 years. But "jobs" became "people" for Tom Brokaw and NBC. On January 2, he announced, "40,000 people lost their jobs at AT&T today."

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

So the number ignited an outcry because of its size and also for whether it was fair -- to employees and to their communities. When you have a 110-year record of supporting communities, that kind of accusation really smarts. And when we became part of Pat Buchanan's stump speech, this situation changed qualitatively -- the fuel hit the fire.

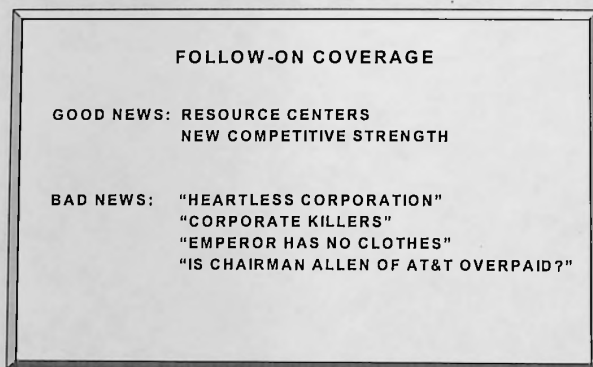
At about this time, Carol Loomis of *Fortune* weighed in on the issue of whether or not our financial performance -- given the charge -- was everything it ought to be. And of course, not having enough things to worry about, we then ran into a true buzz saw which is another major political issue -- CEO compensation.

The executive compensation for our chairman is normally among the first to be announced each year. This happens because we have 32-million shareowners and have to meet the FCC requirement that our proxy statement be mailed at least 10 days before the annual meeting. The mailing is so big we always do it early. We have to.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

So in 1996 Bob Allen once again turned out to be the first CEO to have executive compensation announced. Because of the restructuring, he had an option grant which didn't kick in for four years. It was counted as 1996 compensation because of the unusual accounting that some reporters used. Consequently there was this inaccurate linkage about Bob Allen earning \$16 million because he was laying off 40,000 people. Neither of these observations is even close to accurate. As these issues began to mount, we found that everything we did was scrutinized for credibility because we were now being portrayed as the bad guys.

Act Two, Scene Four: Mixed Coverage



Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

To be fair, some of the initial follow-on coverage was good. It had a lot of messages we were trying to get out. They were focused primarily on how we were trying to treat people who were leaving. We began forcing marching reporters through our resource centers and these centers became the centerpiece of a lot of stories. Through all the coverage we kept our doors open. It's AT&T's policy to keep the doors open to the media through thick and thin.

Even though the coverage was mixed, the bad news obviously overwhelmed the good. We were described as a heartless corporation everywhere. The famous Allen "Corporate Killer" story appeared in *Newsweek*. Carol Loomis' article in *Fortune* took us to task for our past charges against earnings. And then there were critical articles on Bob Allen's compensation in the *Wall Street Journal* and elsewhere.

Okay, what did we do in the middle of all of this negative publicity? We kept moving forward with the restructuring. We had to.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

Act Two, Scene Five: Moving Forward

RESTRUCTURING PUSHES AHEAD	
1/10	GIS renamed NCR
1/16	First notification of surplus employees
1/25	'95 earnings: \$5.49B, excluding charges \$139M, including charges
2/4	Asset division, proposed financial structure completed
2/5	Lucent Technologies name and Board announced. Application for IPO filed
2/14	Buchanan adds AT&T to stump speech
2/27	AT&T files proxy statement, including Chairman's pay Annual Report mailed
3/1	Operating internally essentially as 3 companies
3/14	Job ad runs

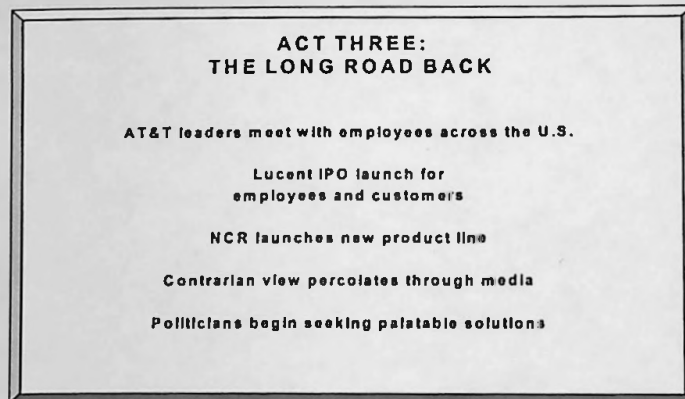
We kept the ball moving, no matter what happened. Global Information Solutions was renamed NCR. We started notifying our surplus employees. We released our 1995 earnings. We completed the asset divisions and we lined up the new financial structure for the company.

February 5 was a major milestone. We filed for the IPO. We started moving out of the blackout period. We chose a new name and a board for the 20 billion dollar spin-off -- Lucent Technologies. We mailed the proxy. And on March 14 we ran the job ad to help our employees find new jobs.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996

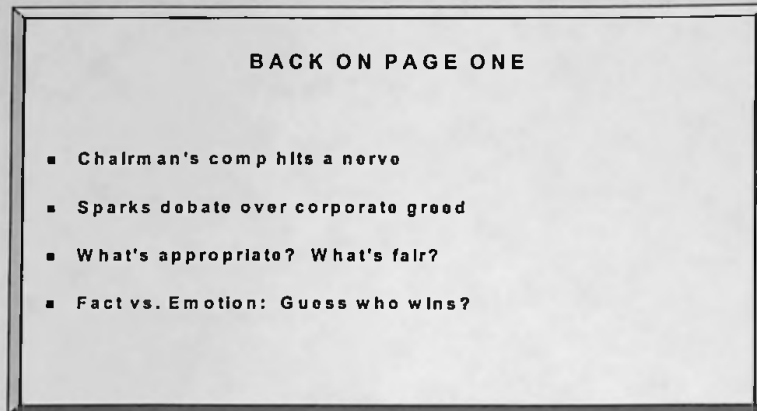
The upshot of all this is by early March, six months after the announcement, this gargantuan global vertically integrated business icon formerly known as AT&T was already operating as three companies internally. That brings us to Act Three and the road back.

Act Three: The Long Road Back



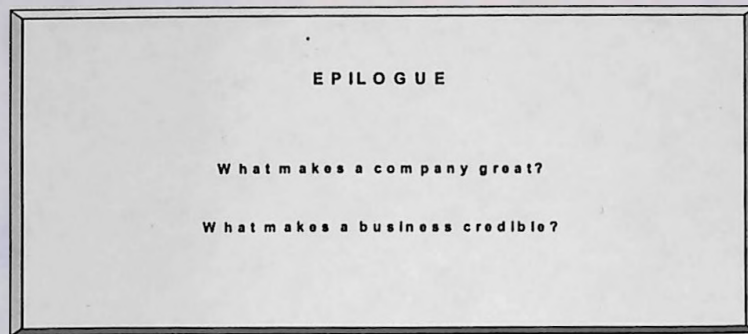
Whenever you're in crisis, and certainly whenever you're restructuring, I believe employees are your most important constituency. We focused on employees by fanning out AT&T's leadership in face-to-face meetings all across the country. Lucent was now past its blackout period and able to speak. Their executives were on the road telling its story and getting people aligned with its mission. NCR was launching a new product line which was doing quite well.

Meanwhile, Back on Page One



You may have noticed that the contrarian view supporting our actions was, by mid-March, in full flower in the media, even though the emotional view tended to still be part of the general news. Even William Safire devoted an entire column that was almost a point by point defense of what AT&T was doing including the chairman's compensation. And we now see both Clinton and Dole beginning to seek palatable solutions, which is exactly where we'd like to move the debate. We think once you talk about the inevitability of restructuring to be competitive in today's relentless economy, the quicker you're going to get to what is an appropriate way to do it. For us, that way includes caring for employees as a key corporate value. And I think that once the restructuring and downsizing debates move to that level, AT&T will once again do very well.

Epilogue: A Great Company



So, one last word before I finish. I've given a lot of thought lately to what it is that makes a company great and what it is that makes a business credible. For me, the answer to that is fairly simple: consistent performance over time against all of your stakeholders, consistently excellent products and services, consistently values-driven treatment of your employees, consistent support for your communities, and a consistent track record for your shareowners.

What we're trying to do now is recognize that there have been bumps in the road. Some people see them jarring several of our stakeholders, but we're working on performing well against all the stakeholders. And over the long term I think that we will be judged against our performance and we will not be found to have been wanting.

Marilyn Laurie
AT&T Reinvents Itself
The 1996 FORTUNE Corporate Communications Seminar
March 29, 1996