Thriving in a New World Order

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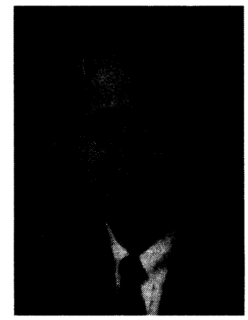
William B. Porter



A fdecade ago, no one could have predicted how much the personal computer would transform our work and home environments. Although it has received less notice, an equally dramatic change also has occurred in the telecommunications industry in the decade since the breakup of AT&T and the Bell System. This transformation not only continues today, it promises to become even more powerful in the decade ahead.

In the same way it changed the industry, the AT&T divestiture of the Bell Operating Companies also shaped the transformation of ADC Kentrox. The company has evolved from a supplier of voice products to telephone companies to become a leading developer of wide area networking and management products for user enterprises.

The Pre-Divestiture World

The Bell System under AT&T before divestiture had virtual monopoly control over the entire telecommunications system in the United States. While it was possible for external vendors to sell into this environment, it wasn't easy. The services and equipment deployed in the network were dictated largely by the central planners at AT&T headquarters. Design of specific technologies was conducted by Bell Laboratories, with product development controlled by Western Electric, AT&T's manufacturing arm.

External vendors had to sell products "through the back door," by identifying the needs of local network engineers, developing a solution, then attempting to extend that solution to other parts of the Bell System. Along the way, we had to overcome the resistance of the "not invented here" syndrome and a rigid purchasing system that made it extremely difficult to sell in large quantities. These factors made growth a long, slow struggle for external telecommunication vendors such as ADC Kentrox.

The Post-Divestiture World

There was no precedent in American business for the break-up of AT&T and the Bell System. Nobody knew what would happen to the company, to the telecommunications industry, to customers. As is the case with most change, divestiture delivered both good news and bad news to the industry. The good news was that the markets for telecommunications equipment were thrown open. With their corporate ties cut from Western Electric and Bell Laboratories, the operating companies began to give greater consideration to external vendors for product development and supply. External vendors also gained direct access to the operating companies' customers.

The bad news was an influx of competitors, as companies from a broad range of industries and from outside the United States saw the potential in this vital and enormous market. Competition meant that existing vendors (including AT&T) had to quickly develop a new discipline for marketing. For example, before divestiture, customers had limited choices and the availability of products and services on the public network was driven by the decisions of Bell System planners. After divestiture, all companies in the industry had to adopt a new, customer-driven perspective in order to survive and grow.

The increased competition since divestiture also has accelerated the pace of product development. Under the old AT&T system, a typical development cycle took more than three years. Today, products must go from concept to delivery within 12 to 18 months. On the customer side, technology deployment also is faster because customers are adopting new capabilities and growing and updating their networks at a faster rate.

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