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## Service Providers

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### AT&T: Not your mother's Ma Bell

■ **JOHNA TILL JOHNSON**

Some see AT&T as the poster child for the decline of the telecom industry. From a high of about \$110 in 2000, the company's stock fell to less than \$14 in April 2003. Its failed attempt to expand into the cable market earned a place in business books as a case study in poor strategy. Its slow dismantling of business units, culminating in the recent sell-off of AT&T Wireless to Cingular, appears a death-march to oblivion.

Additionally, customers continue complaining about slow provisioning times, poor billing solutions and indifferent service. In a recent Nemertes Research benchmark of service providers, AT&T consistently scored lower than competitors MCI and Sprint.

So what's up? Can AT&T survive?

The answer might surprise you: Absolutely. Under the radar screen, the company has managed to re-invent itself as a lean, mean fighting machine that clearly understands its mission as a service provider in the post-bubble economy. Behind the scenes, AT&T has been quietly streamlining processes, massively upgrading technology and paying down debt to ensure it will succeed in the long haul. Yes, it faces a long uphill battle to prove

itself once more to skeptical customers. But from all evidence, it's prepared to take on the task.

Think I'm nuts? Some background:

- AT&T has some of the tightest operational performance numbers in the industry. Revenue per employee — a critical measure of a company's operational effectiveness — is between \$500,000 and \$600,000, which positions AT&T well ahead of every one of its traditional competitors, and more than 30% better than the next in line, MCI. How did the company do it? See the last item on world-class technology.

- Surprisingly, AT&T has a lower debt-to-earnings ratio than fresh-out-of-bankruptcy MCI. Over the past few years, AT&T has quietly reduced its debt from nearly \$60 billion in 2000 to a mere \$8.8 billion in 2003 — bringing its debt-to-earnings ratio well below that of MCI's, and well ahead of the rest of the industry's.

- The AT&T Wireless sale is far from being a road post on the death march to oblivion. The move actually ranks as one of the most strategically brilliant deals in telecom history. In one fell swoop, AT&T divests itself of an

aging network with creaky technology, reclaims its damaged brand, fattens up its cash reserves, and ensures that its two most threatening rivals no longer have the resources to launch takeover bids. (A little-noted facet of the deal is that it virtually exhausts the cash reserves of BellSouth and SBC, which jointly own Cingular.)

Through it all, AT&T has intelligently invested in world-class technology. It's quietly decommissioning 4ESS switches and turning up IP telephony services. Internally, the company's investment in Web services technology has enabled improved productivity with reduced overall costs.

This all means that AT&T has fundamentally restructured itself to be more responsive, more technically agile, and more efficient than it's ever been before. It will take time for these changes to filter out to the customer experience. But keep watching, you might be surprised.

*Johnson is president and chief research officer at Nemertes Research, an independent technology research firm. She can be reached at [johna@nemertes.com](mailto:johna@nemertes.com).*