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LOYOLA UNIVERSITY OF CHICAGO

THE EMOTIONAL IMPACT OF THE AT&T DIVESTITURE
AND SUBSEQUENT DOWNSIZINGS UPON
FORMER AND CURRENT EMPLOYEES

A THESIS SUBMITTED TO THE FACULTY OF THE GRADUATE SCHOOL
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF
MASTER OF SCIENCE IN INDUSTRIAL RELATIONS
INSTITUTE OF HUMAN RESOURCES AND INDUSTRIAL RELATIONS

BY

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CHICAGO, ILLINOIS

MAY, 1995

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CHAPTER 1

INTRODUCTION

The purpose is to determine the impact on employees involved in a corporate divestiture. The hypothesis is to test the negative impact of a corporate divestiture on employee morale and therefore its effect on the corporation and its image. The research methodology includes interviewing representative groups of both former and existing AT&T management employees, in order to assess employee; feelings, perceptions, viewpoints, opinions and reactions of those employees that experienced and survived the split up of the "Bell System", more commonly know as the AT&T Divestiture and the related subsequent downsizing.

The intent is to focus on the human element, the emotional impact on employees as individuals.

Qualitative

I believe that the only way to find out how people feel about an issue is to ask them directly. I use the direct approach in gathering the raw data for this thesis because I believe that it is insightful, honest and therapeutic. Being an AT&T employee both during and after the divestiture, I read and was aware of many of the speculations involving the impact of divestiture on customer service, cost of the service, technology, collective bargaining agreements, union membership, etc.

However, I always wondered “what about use”? Why was it no one ever bothered to ask the tens of thousands of management employees how they felt, or what they thought about the whole thing? They has something valuable to offer, only no one bothered to ask and certainly no one bothered to listen when those employees tried to express their thoughts and feelings. I am certainly one of those employees. I firmly believe that if our opinions and feelings had been solicited and valued, the corporation would have benefited and eliminated years and moneys wasted in “trial and error” methodologies. Additionally, I believe that there is a hard dollar value in going to the “source”. The “source” being those employees with experience and knowledge of the Bell System. There is hard dollar value to cauterizing the emotional wounds that these employees, to this day, harbor because of the insensitive manner in which upper management has dealt with them. The hard dollar value can be seen in issues of morale, productivity, teamwork, economies of scale and the synergy that are inherent to these high performance teams. In the fall of 1992, I interviewed 18 current and former AT&T employees. With their permission, these interviews were audio taped. I attempted to interview an equal number of males and females. The Figures on the following pages provide other demographic information regarding the subjects.

Table 1

GENDER

<u>Table</u>	<u>Female</u>	<u>Male</u>
18	7	11

Table 2

EMPLOYMENT STATUS

<u>Total</u>	<u>Former Employees</u>	<u>Current Employees</u>
18	7	14

I designed and used the same questionnaire in all of the interviews. The questionnaire provided me with uniformity and was s a tool for focusing on:

- the individual
- their career/job expectations
- source of those expectations
- their actual career path
- how they felt the company treated them before and after divestiture.

Appendix 1 is a copy of the questionnaire. Appendix 2 is a copy of the Permission Form that only one person chose to sign. However, I did offer it to all eighteen individuals. I asked 20 people to participate in this project, however, two declined to be interviewed. The two who declined to participate in the interviews felt that they mostly had negative information to share with me. They felt that, regardless of my assurances of confidentiality, their managers would find out they had participated therefore, placing their jobs in jeopardy. These two individuals also had less than one year of service with the company and I believe they felt more vulnerable regarding their job security.

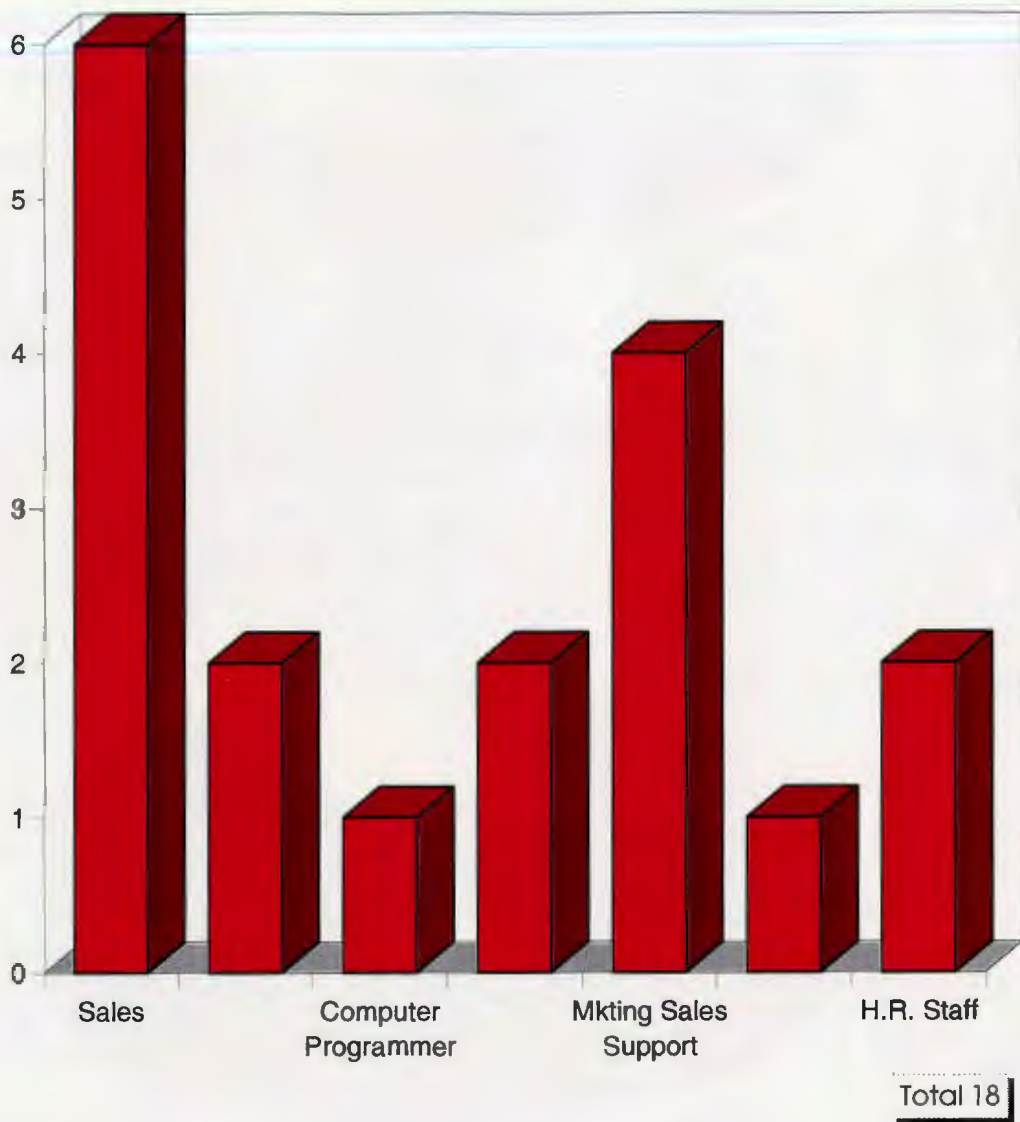


Fig. 1. Job Functions

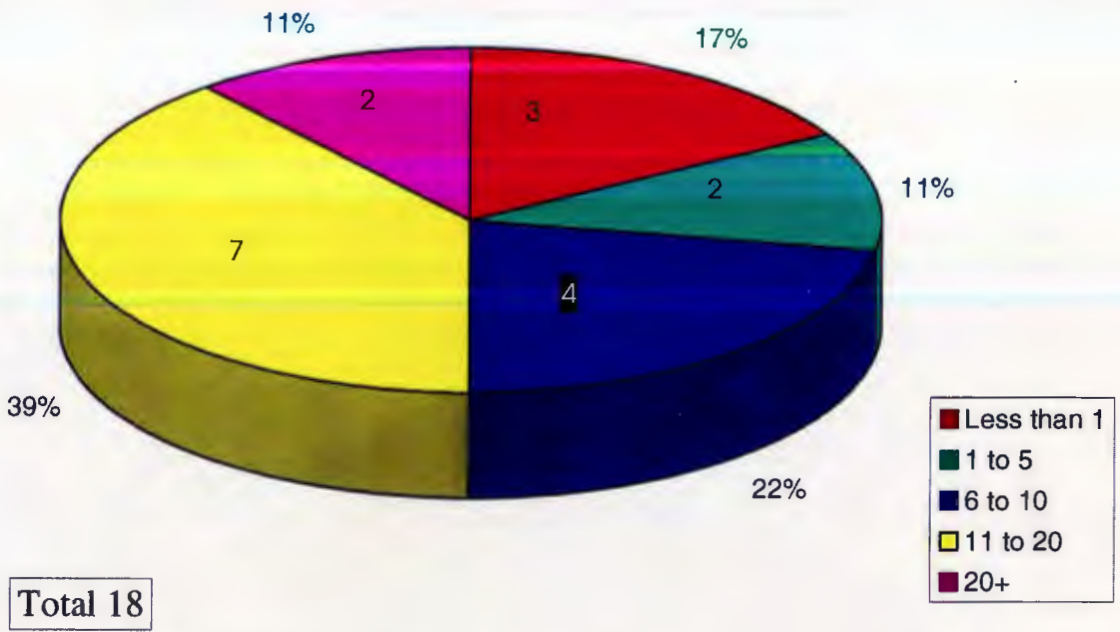


Fig. 2. Years of Service

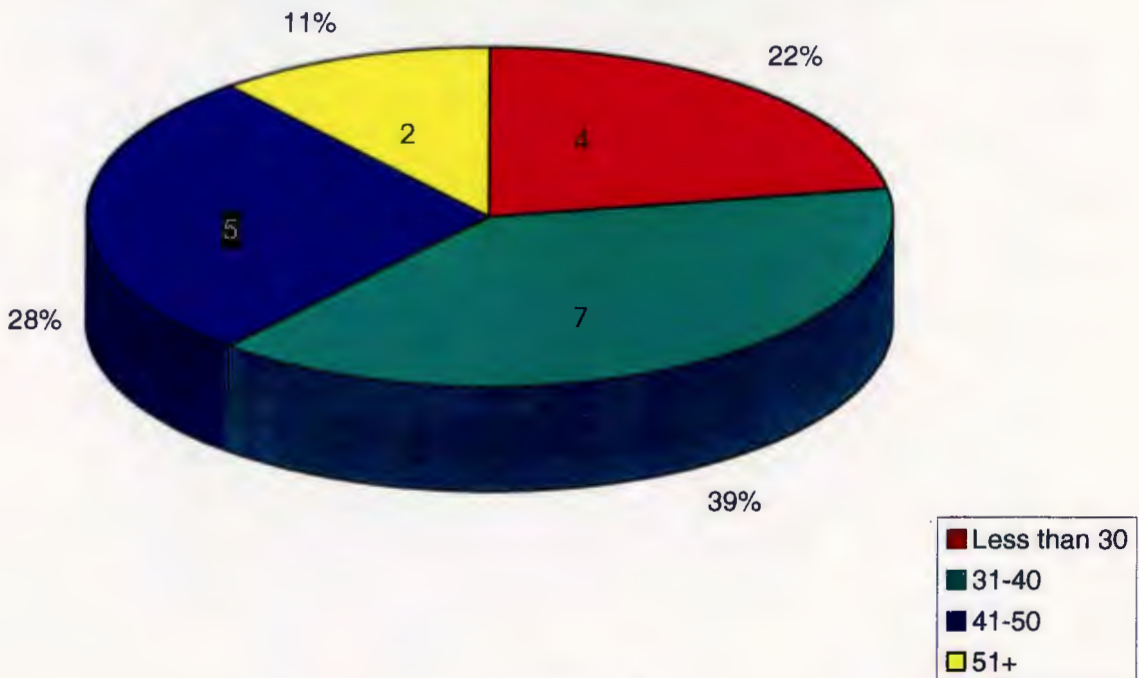


Fig. 3. Age

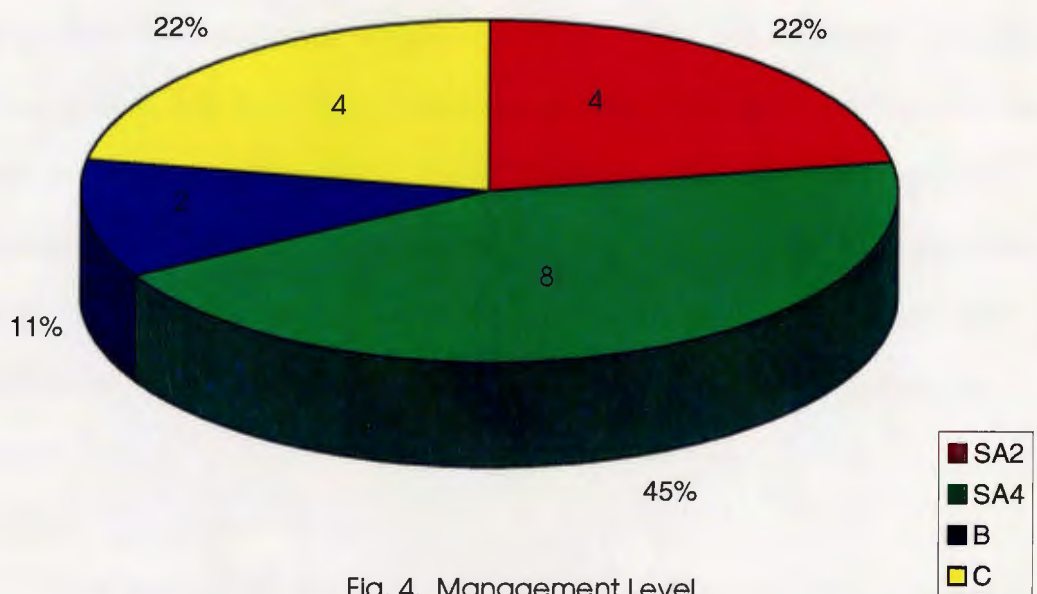


Fig. 4. Management Level

CHAPTER 2

HISTORY

Corporate

AT&T was incorporated in 1885, but its history begins with Alexander Graham Bell's invention of the telephone in 1876. AT&T was the parent company of the Bell System, and its primary mission was to provide universal telephone service - service to virtually everyone in the United States. In its first 50 years, AT&T established subsidiaries and allied companies in more than a dozen other countries. It sold its international interests in 1925 and focused on achieving its mission in the United States. It did, however, continue to provide international long distance service.¹

The Bell System was dissolved at the end of 1983 with AT&T's divestiture of the Bell telephone companies. Today AT&T operates worldwide with employees in almost 100 countries. Its global operations function in competitive, high technology markets. AT&T is the most widely-held stock in the United States.

As of November, 1993, AT&T employed approximately 308,700 employees worldwide. In a 1995, AT&T employed 309,00 people.

Almost from its inception, AT&T was identified with an uncommon mission and pursued that mission with exceptional integrity. For those who

¹ AT&T FSCT BOOK, 1992

Bell System, the concept of public interest involved above all the twin goals of **universal availability** and **superior quality**. These goals were the motivating vision of all its laws, the common understanding that linked its employees in their dedication to the famous "spirit of service" - a phrase deriving from an early and exemplary episode in the Systems history that fixed the service standard permanently in the corporate culture.²

AT&T is the largest telecommunications company in the United States and a worldwide leader in information technology. Its main businesses include long-distance telephone service, integrated communications and computer solutions, telephone network switching and transmission equipment, and customer premises equipment.³

AT&T is a global company that provides communications services and products, as well as network equipment and computer systems, to businesses consumers, telecommunications service providers and government agencies. It's worldwide computerized intelligent network carries more than 125 million voice, data, video and facsimile messages every business day (as of 3/92), AT&T Bell Laboratories engages in basic research as well as product and service development. In addition, AT&T offers a general purpose credit card, as well as financial and leasing services.⁴

AT&T's present business is divided into five major groups. They are communications products, communications services, network equipment, credit card and computer technology. Only its long distance operation remains under government regulation.

² W. Brooke Tunstall, Disconnection Parties (McGraw Hill, 1985)

³ The Froehlick/Kent Encyclopedia of Telecommunications, vol. 1, (Marcel Dekker, Inc., 1991)

⁴ AT&T FACT BOOK, last updated March, 1992, by AT&T: AT&T Archives.

With 2.4 million registered shareholders, AT&T is the most widely held stock in America.⁵

Some AT&T “Firsts”

AT&T has a rich history surrounding research, development and Bell Labs. AT&T and its employees were extremely proud of the AT&T's reputation and tradition Bell Labs. That pride came from being the “first” to invent or discover technological present breakthroughs in communications. The nine Nobel prizes in science that were awarded to Bell Labs scientists served as proof positive to the world of what AT&T employees already knew regarding its excellence in technology.

The following are some examples of AT&T being the “first” to discover, invent or apply new technologies such as :

- Commercial trans-Atlantic telephone service (1927)
- Electrical digital computer (1937)
- Transistor (1947)
- Laser (1958)
- Communications satellite, Telstar (1962)
- Commercial lightwave system (1977)
- Karmarkar linear programming algorithm (1987)
- Commercial ISDN long distance network service (1988)
- Optical digital processor (1990)
- Full-color, motion videophone that operates on regular phone lines (1992)⁶

⁵ Ibid.

AT&T's Mission

"We are dedicated to being the world's best at bringing people together -- giving them easy access to each other and to the information and services they want -- anytime, anywhere."⁷

AT&T's Anti-Trust History

At the turn of the century, a several times reorganized Bell System, which also had acquired manufacturer Western Electric, became known as American Telephone and Telegraph. AT&T began buying small competitors and in 1909 purchased controlling interest in Western Union. In 1910, the Interstate Commerce Commission was appointed to oversee wire and radio communication.⁸

Three years later in 1913, the Kingsbury Commitment put a stop to AT&T's attempt to single-handedly take over the industry. The Company was ordered to divest its Western Union holdings, stop acquiring Independent local phone companies without government permission and interconnect its lines freely with any company that wanted network access.⁹ In effect, AT&T escaped antitrust prosecution by submitting itself to government supervision. AT&T learned to cultivate the benevolent image of Ma Bell.¹⁰

⁶ Ibid.

⁷ Ibid.

⁸ Ann Lindstrom, "Telcom History," Telephony H, v220,n24 (June, 1991):29.

⁹ Ibid.

¹⁰ Peter Coy, "AT&T Bares Its Tech.; It Says It Will Make A Hostile Bid For Balky NCR," Business Week, 17 December 1990, 24

The Department of Justice filed an antitrust suit against AT&T and Western Electric in 1949. The resulting 1956 Consent Decree, allowed AT&T to keep Western Electric restricted the Company to provide only regulated common carrier services.

In March 1974, MCI filed an antitrust suit against AT&T. Later that same year, the U.S. Department of Justice filed an antitrust suit of its own, charging the Bell System with illegally restricting competition and monopolizing the marketplace. The breakup came approximately seven years later. AT&T fought the lawsuit on the battle field of the Federal courts, the FCC, and Congress. After 10 months of trial and \$50 million in court and legal costs, AT&T's CEO, Charles Brown, settled with the government.

The task of restructuring proved far more difficult than almost anyone has expected. Senior management had definite ideas of where it wanted AT&T to go, but transforming the lifelong habits and work patterns of 373,000 employees (prior to divestiture, AT&T had close to 1 million employees, the majority of them went with the Bell Operating Companies) in an entrenched bureaucracy was no easy task. That the Company had to change its orientation was expressed clearly in dozens of AT&T publications and forums. AT&T was no longer the telephone company, but a corporation in the competitive information movement and management business. But no comparable mission to universal service could be articulated. The dirty work of tearing apart Ma Bell was left to the same people who had put it together.¹¹

Downsizing History

Charles Brown was the Chairman and CEO of AT&T from 1979 until 1986. Mr. Brown had been responsible for steering AT&T through the initial phases of divestiture. He retired in 1986 and was succeeded by James E. Olson. Mr. Olson died in office in 1988 and was succeeded by Robert E. Allen. Mr. Olson's death was

¹¹ Ann Lindstrom, "Telcom History" Telphony H, v220,n24,(June, 1991):29.

another below that came on the heels of the divestiture and the first downsizings that the Bell System had ever experienced. In addition, his death added to the uncertainty that stockholders were already experiencing and that was reflected in the price of AT&T stock. Mr. Olson was a charismatic and very public representative of AT&T. He had been expected to be the steady force that would guide AT&T through the first few years of uncertainty. Employees, stockholders, the Board of Directors, stock analysts, etc., had relied on his rock steady leadership, therefore his quickly deteriorating health and subsequent death due to cancer, was a shock to everyone.

Bob Allen in the first year after his sudden elevation to CEO, pursued the strategies formulated by Olson, while adding some new and in some ways tougher, ideas. He defined the work force in July 1988, by coupling a company wide hiring freeze with programs that shifted over 2,000 staff managers into sales positions. He sponsored acquisitions of companies and other assets, such as GTE's switching business and the Paradyne Corp., makers of data communications equipment, NCR, a computer company, and McCaw , cellular services.

In February 1989, AT&T began additional restructuring. The Company reorganized four major business units within AT&T, into smaller business units so that accountability and decision making would be pushed down the organization, closer to the customer.¹²

¹² The Froehlick/Kent Encyclopedia of Telecommunications, vol.1, (Marcel Dekker, Inc.,1991)

The following are some facts and figures around divestiture:¹³

- 11/83 AT&T offers early retirement to 13,000 people in order to streamline the work force.
- 7/84 For the first time in its history, AT&T announces a freeze on the salary structure of all its managers, a move affecting 114,000 employees.
- 8/84 In connection with the 20% cost reduction program AT&T announces that 11,000 positions will be eliminated in AT&T Technologies sector. AT&T offers early retirement to many senior officers.
- 1991 AT&T continues to reduce costs by closing plants and cutting jobs, nearly 15,000 this year alone.¹⁴

Olson had continued, but accelerated Brown's plans to reduce and redeploy the work force, to shift company focus from internal questions to customer needs, and to seek relief from regulations.¹⁵

In 1989, the biggest impact on the bottom line came from full scale cost reduction programs. The redeployment of 1,900 people from administrative and

¹³W. Brooke Tunstall, Disconnecting Parties (McGraw Hill, 1985)

¹⁴Peter Coy, "AT&T Bares Its Tech.; It Says It Will Make a Hostile Bid For Balky NCR," Business Week, 17 December 1990.

¹⁵The Froehlick/Kent Encyclopedia of Telecommunications, vol.1, (Marcel Dekker, Inc., 1991)

staff work to front line sales jobs helped. So did a hiring freeze and stringent cost controls. Redeployment was an effort to increase market coverage.¹⁶

In 1991, AT&T's Computer Systems unit, which at that time employed 7,500 people worldwide, was phased out after the acquisition of NCR. NCR recruited a majority of AT&T Computer Systems' 3,900 U.S. management employees. Of Computer Systems' 3000 non-management employees, NCR it was thought would recruit about 600 people. The business forecast called of AT&T to retain another 600 for the purposes of maintaining computer equipment for the phone company.¹⁷

Since 1984, the union lost over 100,000 jobs "with no end in sight". The new technology could ultimately replace half of the 17,000 AT&T operators. At the time of divestiture AT&T employed 50,000 operators.¹⁸

Michael Kennedy of Arthur D. Little says much of the improvement at AT&T reflects not new business but its steep cost cuts, and he warns that "you can't downsize forever. Sooner or later, you must find new sources of revenue".¹⁹ There comes a point in time where continued cost cuts can in effect cost the Company more in money, business and employee morale. At some point employee morale can be translated into "hard dollars". These hard dollars are evident when a Company experience a loss in efficiency or a loss in business due to the poor morale of its employees.

¹⁶Hereschel L. Johnson, Focus (AT&T Publication, May 1989).

¹⁷Work-group Computing Report, AT&T-NCR: AT&T Support Program For Employees Affected By NCR Merger (V@ N63), 17.

¹⁸EDGE, on and about AT&T, Voice Recognition: The Human Cost: AT&T Automates Long Distance (v7 n189)

A perfect example of this is the February 1990 failure of AT&T network. The failure resulted in 5.5 million calls being blocked during the network "outage". Due to downsizing over the years, a network node in New York was reduced to a skeleton staff. Of what were left approximately half were in training that day and some of the others had they had been declared surplus. Those that were surplus had been given instructions, as is the practice in these circumstances to find themselves a job within the next "x" amount of days IF they failed to find a job by the "off payroll" date, their employment would be terminated in accordance to the surplus declaration. At the time of the outage, because of the reduced staff, no one had been around to ensure that the alarm systems and backup systems tested and working. In addition, there was no one on duty when some of the alarms did go off. This network failure resulted in the loss of some business for AT&T. This proved to be a classic example of cost reductions going to far and having negative effects on the bottom line in the long run.

Personal History

I have been employed with AT&T since June, 1981. I was hired by Illinois Bell in 1981 into the Sales/Marketing organization. Unbeknownst to me, the hiring of people specifically for sales and marketing was a historical happening in the Bell system. Up until 1981, there had never been a "real" sales or marketing organization with the Bell system. According to those employees that had been "around" the Bell system for 25 years or so, there had never been a need to sell AT&T or Bell systems products and services. The Bell system had been a monopoly

¹⁹ John J. Keller, "Some AT&T Clients Gripe That Cost Cuts Are Hurting Service," Wall

and therefore were the only game in town. A customer would call up and say "I need a phone line". From there the Bell system took over, they determined what you needed, when and how it would be installed, and how it would be billed. The only decisions the customer would make were where to send the bit color phones, either beige or black phones.

When I was hired in 1981, AT&T had just begun to experience competition in the equipment market. The equipment market was the market for commercial phone systems, communication equipment for businesses, government, schools, etc. I was hired by Illinois Bell, which was known as the Local Exchange Company " (LEC) or the Bell Operating Company (BOC). As a LEC it was responsible for phone equipment for both the residential and commercial sector within its boundaries and for local phone service. It was not involved with long distance service. AT&T Long Lines was the sole carrier of long distance throughout the United States.

At the time I was hired, all the LEC's were hiring new people for sales and marketing. We were hired to work in specific industries. For example, since I had previously worked for an insurance company, I was hired to work in the Insurance Industry. Illinois Bell had a sales office that dealt only with the Insurance companies. There were also among others sales groups that dealt only in Finance, Petro/Chemical, Hospitality, Retail, etc. The theory was that the more we knew about a specific industry we could more professionally and efficiently deal with the specialized communication needs of that industry and those customers.

I had a sales module that had a number of insurance accounts in it which represented \$3 million in annual revenue to Illinois Bell. My job was to upgrade their equipment to the newer generations of communications equipment, find new applications for Bell products and services, keep customers from going to the competition and bring back customers that had gone to the competition. My bag of products and services consisted of phone system that ranged from mechanical phones to computerized phone systems, computer peripherals, and local phone service. At the end of the year we were measured on how much new revenue we had been able to stimulate in our module.

My accounts were typically national accounts (i.e. New York Life, Mass. Mutual, Aetna, etc.) that had local presence in the state of Illinois. I was responsible for all of their locations within the state.

In late 1982, as part of the divestiture of the Bell system, each employee was asked to chose whether they wanted to stay with the LEC, (i.e. Illinois Bell, etc.) or transfer to the new AT&T entity American Bell. American Bell's mission was to sell and service equipment. AT&T Long Lines was still responsible for long distance. In essence American Bell would now compete with the LEC's and other phone equipment vendors for the same customers and the same market.

I chose to go with the new Company American Bell and I was transferred to AT&T American Bell in January 1983. A year later American Bell was renamed AT&T Information Systems, more commonly referred to as AT&T IS. The name had to be changed because after a long and brutal battle over the use of the "Bell" name and

logo between AT&T and the LEC's, Judge Greene ruled that the LECs would have sole rights to the "Bell" name and logo, except for Bell Labs. I chose to go with American Bell because I bought into the spiel that it represented a "new challenge", the adventure of "uncharted waters", our contribution to "history".

No one mentioned the frustrations, the intimidation, the brow beating, the lack of support, lack of supplies and the proliferation of managers with no mores, principals, or ethics. I wasn't prepared for the outright viciousness, lies and total lack of direction or support that we confronted at every turn.

With American Bell and AT&T IS the type and mixture of products and services were sold changed a little. First of all the market changed. The industry specific approach was still there, but only for the larger customers, customers that were established and had more than approximately 100 phones. A new approach was established to deal with the smaller end of the market, those with less than 100 phones. This sector was called GBCS (General Business Communications Systems). I was transferred, not by choice into this market from the national Insurance industry.

After several months of stumbling and experimenting with different way of servicing this market, it was decided to use the zip-code method. Each account executive was given a certain number of zip-codes that represented X amount of existing revenue and had what the market analysts predicted was X amount of revenue potential. Zip-coded based territories also meant that you had any and every type of business in that territory and that we had to learn how to sell in a different way. Each account Executive was basically their own small business.

of dollars per year, but was not used by the end user, because it was too cumbersome or awkward for them to use. Technically the systems were state of the art, but practically they were not usable.

I was hired because my interpersonal and negotiating skills would enable me to function as liaison between the technical people and the end user. The programmers and project managers had outstanding technical skills, but could not communicate without getting into verbal and hostile confrontations with the customers, the end users. The end users felt that the technical people were designing systems that could not be used, were not listening to the customer, and talked down to them. Additionally, the customer was billed for these systems and services. My technical knowledge of voice and data communications enabled me to understand and operate in the technical realm of the programmers and project managers.

I was sent to Stevens Institute of Technology in Hoboken, N.J. and to Bell Labs for training in Human Factors Engineering. I was given whatever training I needed and any type of computer software and hardware necessary to do the job. In addition to tools and training, I was even approached by my management and a career path was mutually discussed , designed and encouraged.

In 1987, as part of my career path and with the support of my local management team, I transferred into the much coveted Corporate Human Resources group. Specifically, I was now in the Management Staffing group. My job was to staff or fill jobs for the corporate headquarters Network Engineering Group. At the time I

joined Management Staffing, the networking engineering group had just announced plans to accelerate the "digitization" of the entire AT&T network. This meant that instead of converting the entire network from analog to a 99.9% digital network in ten years, it would not be done in two to three years. My responsibility was to staff the 500 jobs in the New Jersey area that were needed in order to make the accelerated schedule a reality.

In late 1988, competition was killing AT&T in the marketplace. In addition, newer and faster technologies were being introduced into the work environment, which replaced head count in many labor intensive areas. Management realized one of the reasons AT&T was being clobbered in the marketplace was attributable to the fact there were not enough salespeople in the field to interact with the customers. The competition successful because it used an "in your face" approach with the customers. They were visibly knocking on doors, at Chamber of Commerce meetings, at street fairs, etc.. The competition was making their presence known. instead of "knee jerk" reacting and en masse hiring thousands of new sales and sales support people in the marketing business unit, and downsizing people in other business units, AT&T decided to implement a redeployment strategy. In other words, AT&T employees were given first opportunity to fill these sales and sales support jobs.

In theory this was an excellent move, the redeployment also gave employees the opportunity to move anywhere in the Company with full company relocation benefits. However, in practice many employees were forced to take these jobs for a variety of reasons. For example, poor performers in some areas were massively "dumped" into these jobs, it gave their managers a way of getting rid" of

performance and personality problems without confronting them. In early December, 1988, I was offered a promotion in the Human Resources group in New Jersey. However, in late December, 1988, before the promotion was formally announced, due to a serious illness in my family, I turned down the promotion and "redeployed" into a technical sales support job in Chicago.

My job was to assist the Account Executive in selling network services to high end customers by providing the technical expertise. Once the sale was made, I was responsible for the implementation and installation of the services. I was in this job for two years. Even though it was a financially rewarding position, I never felt it was a good personality match for me. In addition, my manager and I had severe personality/workstyle clashes, which we were never able to resolve. In January, 1991, I jumped at the chance to transfer into a sale job in the Commercial Markets group in Chicago. This job was similar in function to the GBCS job, however, instead of phone equipment I would be selling network long distance services to smaller customers. The sales modules were constructed geographically by zip code.

In January, 1992, I was lucky enough to be selected from 110 applicants for a job opening in the EO/Diversity organization. My career goals had always been to be a Human Resources professional, I was finally able to make the move back into HR. My job has been reactive and proactive in nature. On the reactive end, I investigate Title VII charges of discrimination when employees either come to our group to file an internal charge or if they chose to file externally with a state or federal agency. On the proactive side, I counsel both managers and employees on a variety of HR related issues and conduct Diversity and EO awareness workshops.

At the time I was hired by Illinois Bell, in 1981, I was employed at an Insurance company. I remember that at the time my resignation was announced, numerous people independently congratulated me and said I would never have to worry about job security, benefits or pay again, and that I now "had it made". To a person, they asked me who I knew at Bell, because everyone knew that you couldn't get a job with Ma Bell unless you knew someone. All this was news to me. Many years later I realized that my enculturation into the Bell System had started with those innocent comments.

During the interviewing process at Illinois Bell, I was told that if hired, I would be part of the "new wave" of specialized people hire for new sale/marketing jobs. In addition, I was told that Illinois Bell rarely hired "off the street" and that was one of the lucky ones to have gotten so far in the hiring process. Those that were hired would undergo an intensive twelve week training program (Phase I). Every test administered would be an opportunity for the new hires to either prove themselves, or to be eliminated from the program and employment with the Bell System. If we passed Phase I, we would then be sent to Phase II training at the new Sales University training center in Denver, Co. At Phase II training, we would meet and train with other new hires from the other Bell companies across the country.

Every Illinois Bell employee (Account Executive) that was sent to Denver for Phase II training was given a burgundy colored, expandable back, leather brief case. The brief case has a distinctive style to it. This brief case would always identify an Illinois Bell Account Executive.

Two things in particular stand out about my first day with Illinois Bell. First, we were told that there was no such thing as a sick day at Illinois Bell. Employees were given awards for perfect attendance. I was astounded, at the company I had previously worked for as a supervisor, its non-management force was represented by the Teamsters union. In their collective bargaining agreement members were allowed/entitled to X number of sick days per year, which most employees used as vacation days. The presenter went on to describe the type of awards for 1 year, 5 years, etc., for perfect attendance. Secondly, a very clear distinction was made between management employees and "craft". I didn't realize until many months later that she was referring to occupational or union represented employees. The enculturation process had started immediately.

On the second day of training we were each given our own copy of John Malone's book, Dress For Success, other wise know as "DFS". A serious lecture accompanied the book. in addition, as new employees were offered a loan through the Illinois Bell credit union, in order to purchase the proper "DFS" wardrobe. We were given until the next Monday morning to assemble our wardrobe.

I remember that the Vice President of Sales in the Central Region, Bernie Sergesketter, came in to address our training group and emphasize DFS. Dressing for success was a condition of employment. Several months later I wore a conservative business dress to the office on a blistering hot summer day, when I knew that I was not going to see any customers. My manger called me into his office 10 minutes after I arrived at the office to reprimand me for wearing a dress. I

dressed strictly according to the DFS rules for the next six years. For women DFS was particularly difficult because business suites for women were just being introduced in the retail market. It was difficult to find suits that fit properly and the few that you could find were extremely expensive. I go to a department store and if I heard a female customer instructing the saleswomen in particular requirements for the cut and colors of the suit I immediately knew that she had been indoctrinated in DFS.

We were trained to not wear rings on more than one finger and for the women not to wear any necklaces. We were instructed to not carry loose change in our pockets because it was distracting, especially during a customer presentation. We were encouraged to master the art of writing on a flip chart without turning our back to the audience.

According to management they wanted the sales force to present a polished, professional and uniform image to the world. Management did leave Anne room for individual expression and that still operated with the Bell System cookie cutter mentality. They were striving for a recognizable appearance that screamed AT&T to the customer. A look that was professional and instantly recognizable as AT&T. Personally, I always thought their techniques went overboard and resulted in Gestapo-like treatment of employees.

For me the enculturation process was both formal and informal. It was formal in the factual stories relayed through various company employee publications. Informal the storytelling told at lunch time, around the conference table, etc.

After six months of intensive training we were sent to our respective offices. Every few weeks or months the same training class or group would be reassembled for additional training. By this time, after eight months of training "our class" had formed a tight bond. We became not only a support group for each other at work, but also friends that socialized outside of work on a regular basis. This bonding was true of every "class" that came out of the training center. From June of 1981 through June of 1983, Illinois Bell had a new "class or wave" of off-the-street hires that started every four months. The other BOC's (Bell Operating Companies) had similar schedules.

Historically the BOC's always operated in a similar and uniform fashion of the sake of consistency and because the customers made market place demanded it. It was also a case of security, the Bell system provided the government (the White House, the Pentagon, NASA, etc.) with its communication systems, therefore, it was necessary that they operate uniformly to a degree as a matter of national security.

In addition, it was also a case of economies of scale, the Denver Sales Training Center was funded by all of the BOC's and the curriculum was the same for all new sales people.

The Company was in fact creating a new culture of employees. This new culture and support group, became necessary when we reported to our job locations. As new employees we were resented by other employees. We all had college degrees, at least 25% of us had graduate degrees. None of us had come up

through the ranks. Most of the existing management employees in marketing had come up through the ranks. The men had historically gone from military service straight to Illinois Bell. Some of them had worked for Illinois Bell before going into the Service. After the service they were hired as installers, pole climbers (non-management jobs), etc. They had progressed through the ranks and were now management employees.

The women had historically been hired as either telephone operators or in the customer billing organizations (non-management jobs). In the 1970's a class action lawsuit had been filed against AT&T on the basis of sex discrimination. It was actually initiated by a woman in Bell Labs who had a Ph.D. degree and was not given the same opportunities, promotions, assignments, etc., as her male counterparts. The resulting Consent Decree gave women the opportunity to move into management positions and other historically male dominated fields within AT&T.

The Consent Decree resulted in mass promotions of women into management jobs, regardless of their experience, level and type of education, abilities or skills. Therefore, when I came into the Company I noticed and it was pointed out to me that many women in responsible positions with atrocious reputations for not being able to perform the job and lacking both interpersonal as well as basic communication skills. Of course, the men failed to point out the women that were doing outstanding jobs and were a credit not only to women in general, but to their organizations and themselves. I'm certain that many of the women were both consciously and subconsciously set up for failure by their organizations and local management teams. The failure to support them was manifested in lack of training, lack of hones

communications with them about their shortcoming, and what was expected of them, etc.

The poor female role models that were pointed out to the female new hires, simply made it harder for us to fit into the organization. We had to work twice as hard as our male peers in order to be accepted and respected as professionals.

The resentment against the new hires was based on the existing employees perception that we had not “earned our stripes”. It had taken them 15- 20 years to get their positions and we were marching the street with a couple of months training and presuming to be their peers. In addition, they were expected to teach us “the ropes”.

These employees made things very tough for us, they had an in-depth knowledge of the products, services and the Company mission that we simply did not have. However, we did not have the same job security, complacency, and entitlement that they had.

I learned of their resentment, pride in the Company, spirit of service, support network of resources, family, and friends through the stories they told. The stories were told everywhere, standing around someone’s desk, at lunch, on the drive out to see a customer, at meetings, etc.

CHAPTER 3

DIVESTTURE

History

As Bell engineers drove on to advance all areas of communications with these newest techniques and computer people pushed to the frontiers of their possibilities, it soon became clear that the previously separate technologies of communications and computing were converging. Both were needed to build efficient systems in with field. Switching machines looked more and more like computers, and computers needed electrical linkage to integrate far-flung operations.²⁰

It's service performance was excellent in every dimension, and prospects for continued growth were good. In fact, such growth in the industry was in contrast to many other important sectors of an economy undergoing long-term recession. To some it did not seem fair that a vigorous area of economic activity should remain closed to newcomers.²¹

²⁰ H.M. Bottinger, The Telephone Book, (New York: Stearn Publishers Ltd. 1983)

²¹ Ibid.

There were two fundamental doctrines on which the nation's entire communications system had been built 1) technological experience and 2) price structure.²²

As part of a public interest undertaking, telephone companies took responsibility , and were ordered to do so by the commissions, for the entire responsibility . The various telephone companies had resisted, out of experience extending back to the earliest days, any attempts to connect apparatus not made or approved by themselves to the network they had constructed. "Foreign attachments" was the name used to describe such devices. Regulators generally endorsed this view over the years, since they wished responsibility for quality placed squarely on someone who could be held accountable.²³

However, as the urge to exploit and profit from electronic technology became stronger, many potential manufacturers felt the prohibitions were excessive and set about challenging them with the commissions and in the courts. In addition, they also challenged the federal and state approved practice which made the sale of non-AT&T apparatus whose attachment to the AT&T network was, at the time, illegal.

During the New Deal era, one of the many new federal agencies that President Franklin D. Roosevelt established to deal with and help prevent national crisis, such as those that faced the nation during and subsequent to the Great Depression of 1929, was the Federal Communications Commission. The FCC was established in 1934 and was charged with the task of regulating and supervising the

²² Ibid.

overall operation of the broadcasting, telephone and telegraph industry. Over time, AT&T evolved into a monopoly blessed by both Federal and State regulatory commissions. The driving force behind this government sanctioned monopoly was the public's interest in high quality and dependable telephone service. Therefore, AT&T was ultimately responsible for the entire quality and reliability of the service it provided.

This total responsibility for service meant that AT&T and its operating companies were responsible, end-to-end, for the entire service. Thus, every piece of equipment from the lumber for the telephone poles, to the switching systems, to the phone in the customer's home or business was the responsibility of AT&T and its subsidiaries.

AT&T successfully argued that it could not be held responsible for the entire delivery and maintenance of service if it did not have complete control of every aspect of provisioning, delivery, and maintenance. The State and Federal Regulatory Commissions wholeheartedly agreed, in the name of public interest. Therefore, though it remained a regulated entity, AT&T was granted complete control of end-to-end telephone service by these commissions. Subsequently, any non-AT&T equipment attached to any AT&T product or service was considered a foreign attachment and was therefore illegal.

Though the reasoning was both technically sound and practical, AT&T's position encountered much resentment because it was considered by many potential

entrepreneurs and manufacturers to be inherently monopolistic in nature. These manufactures offered to sell their products outright to the consumer, in contrast to the long standing utility practice of only selling the service, but never the equipment used to render it. The appeal of ownership versus "perpetual rental" added to its persuasion.²⁴

There is no doubt that the Bell system was caught in a quandary. On the one hand it was held accountable to the antitrust laws that forbid monopolies and encouraged competition. Yet on the other hand, it was charged with operating a public utility enterprise that had been granted the exclusive rights to provide service under regulation and that in effect by law, forbade competition.

Also, under scrutiny and attack was the fundamental doctrine which had legitimize using the high-profit services of business and long distance to subsidize basic home services. If those paying the higher profit charges were able to go elsewhere for their telecommunication service, they would no longer be subsidizing basic home service. If this became the case, then the source of the home subsidy would disappear for all 80 million homes (1983) would then have to rise considerably in order to make up the difference. Few home customers knew that they enjoyed such a subsidy, but businesses and government knew, since they paid what they considered to be excessive charges. Manufacturers eager to serve them also knew and were attracted to the high profit areas. From their viewpoint it was sensible to advocate the introduction of competition in communication, for "everyone knew" that competition would bring down prices. The simple appeal of this proposal, and its

²⁴ Ibid.

powerful resonance with American hostility toward monopoly, presented regulators and the Bell System with a serious problem.

There was a split in attitudes towards two proposals. The first urged that customer owned devices be allowed connection to the communications network; the second proposed that competitors be allowed to furnish long distance services of various kinds. Federal regulators favored removing the barriers, however state regulators would be forced to raise home rates continuously as the competitors took larger and larger portions of the high profit business as their lucrative target.²⁵

While seeking to have the federal commission change the rules to permit competitive supply, manufacturers and entrepreneurs also had another avenue open to them in the antitrust laws. Like regulation, antitrust is a social invention of United States of America culture and derives directly from the founding American faith in competition as the best guarantee against economic concentrations. Even attempting to monopolize or acquire monopoly power incurs severe penalties, and any damage proved to have been suffered can be tripled in amount. Suits based on antitrust laws are initiated individuals and companies who claim damages or by the United States government itself, acting thorough the Department of Justice or the FCC.

In the early 1990's the Bell System had been faced with two antitrust suits. In 1956, Bell settled these suits via consent decree. Consent decrees limited the Bell Systems scope of operation to only regulated communications. However, it is important to note that the Consent Decrees were based on the assumption that

²⁵Ibid.

communications and computing (i.e. computers, software, artificial intelligence, etc.) were separate and distinct disciplines. At this point in time the Bell Systems operations were run on mechanical and electro-mechanical systems and equipment. As technology developed the distinction between computing and communications ceased to exist. Therefore, in order to continue providing service in the present and the future, the Bell System could either no longer abide by the restrictions of Consent Decrees, or eventually face their complete demise.

In the early 1970's several companies brought antitrust suits against the Bell System, alleging damages sustained from Bell's control of end to end service. Mainly, these companies wanted to sell phone equipment to consumers that could then be attached to the AT&T/Bell communications network. In addition, competitive long distance services wanted to "hook up" their service to the Bell Systems network switches and central offices.

All of these allegations of monopoly came to a head during the week of Thanksgiving, 1974, when the Department of Justice began an antitrust suit against the Bell System charging that it had monopolized communications markets; attempted to restrict and eliminate competition from other common carriers, private systems and manufacturers; and required Bell companies to purchase Western Electric products. To remedy the alleged violations, the Justice Department requested the Bell System be broken up (in other words, divest) into independent entities in order to make competition effective in the future.

A legal battle of unprecedented proportions ensued between the Department of Justice and AT&T. Bell replied the case was without merit and that no law had been violated. AT&T “objected to being punished by antitrust litigation for complying faithfully with the regulatory charter.”²⁶ From 1974 to 1981, AT&T’s communications technology development, as well as computing technology in general, continued advancing and eroding the distinction between computers and communications. AT&T continued to wage and fight many more private and public legal battles, during this same time period.

After six and a half years, the trial of the United States Vs. AT&T finally began in March, 1981 and was presided by Federal Judge Harold H. Greene. The last witness testified just before Christmas, 1981. Ten months after the trial began, an out of court settlement was reached on January 8, 1982.²⁷ AT&T spent 400 million dollars in defending itself against the antitrust suit and in reaching a settlement.

AT&T Chairman, Charles L. Brown explained why AT&T agreed to settle. he explained that the probability was very great that eventually AT&T would have been forced to divest itself of the Operating Companies. By settling, AT&T was able to do it on its own terms. most significantly, AT&T kept control of its technology by keeping Western Electric and Bell Labs. Without these two entities, he believed AT&T would have been “gutted” and would have lost its competitive advantage and future. in addition, the obsolete constraints of the 1956 Consent Decree were removed.

²⁶ Ibid.

²⁷W. Brooke Tunstall, Disconnecting Parties (McGraw Hill, 1985)

Divestiture Facts

Divestiture meant that twenty two Bell Operating Companies were consolidated into several independent local companies whose main mission was to provide local service to customers. The new seven companies are USWEST, Pacific Telesis, Southwestern Bell Corp. BELLSOUTH, Bell Atlantic, NYNEX, and Ameritech. AT&T had been responsible for inventing, developing, installing, servicing, and selling both local and long distance phone service and phone equipment. AT&T retained long distance equipment.²⁸ Before divestiture:

- One in ten people in the U.S. worked for AT&T.
- There were 45,000 suppliers to the Bell System.
- Only the federal government had more employees.
- As of 11/93, AT&T had 308,700 employees. There has been a 49% reduction in the workforce over the past ten years.
- Forecasted reduction of the workforce of 25,000 employees in 1994.
- AT&T owned 24,000 building and had
- 50,000 phone operators
- Bell Labs had nine Nobel prizes awarded to its employees and 2,000 of them had Ph.D.'s.
- Bell Labs had averaged one patent per day.

²⁸ H.M. Boettinger, The Telephone Book (New York, Stearn Publisher Ltd. 1983)

Table 3

DIVESTITURE FACTS

	<u>Before Divestiture</u>	<u>After Divestiture</u>
Total number of AT&T employees.....	994,000	450,000 ²⁹
Bell Lab employees....	25,000	18,000
Unionized employees.	656,000	180,000 ³⁰
AT&T assets.....	\$150 billion	\$43.5 billion

1982 was spent planning for the divestiture, 1983 was spent implementing it and 1984 was living with it. Ten thousand employees, or one percent of pre-divestiture employees, worked on the divestiture. At the time of divestiture:

- 24,000 employees took early retirement
- 330,000 employees changed companies
- 70 million customer accounts and 200 million customer records would have to be split
- 177,000 motor vehicles would have to be reassigned³¹

In 1991, AT&T's total revenues were 63,089 billion and had total assets of \$53,355 billion.

Divestiture Implementation

AT&T's Office of the Chairman (its top five officers) met with other key executives on Monday, January 11, 1982, three days after the settlement had been

²⁹ As of January, 1983

³⁰ approximately

announced to the public, in a day-long session. The meeting began with a review of reactions to the settlement by the Corporation's various constituencies. Next, the possible legal, regulatory, and legislative implications were discussed. Finally, the planning and implementation of divestiture was addressed. It was immediately evident that the project would have to be managed apart from the day-to-day conduct of the business, as it would have to be planned in a new and unaccustomed fashion. It was also clear to everyone involved that the entire divestiture effort would be a joint effort of AT&T and the Bell Operating Companies. Normal processes were inadequate for an effort of such dimensions.

Six major questions would require answering in order to move forward in compliance with Judge Greene's Modification of Final Judgment (MFJ), the Consent Decree. These questions were:

1. What should the structural form of the divested companies be, both operationally and financially?
2. Would prior studies of interexchange/intraexchange divisions suffice in carrying out the terms of the decree?
3. How would the access charge structure be determined?
4. What market access issues were in store for Western Electric?
5. How could the Corporation insure that employee and shareholder interests were adequately represented?
6. What organizational framework was required for planning and implementing the MFG?³²

³¹ W. Brook Tunstall, Disconnecting Parties (McGraw-Hill 1985)
Ibid.³²

“Not later than six months after the effective date of Final Judgment, Defendant AT&T shall submit to the Department of Justice, for its approval, and hereafter implement, a plan of reorganization.” In effect the Department of Justice had said, “The Bell System will indeed be broken up. Now AT&T, it is incumbent upon you to tell us how you will accomplish this Herculean task, for us to approve or disapprove.”³³ AT&T managers would have to develop the plan without the benefit of specifications requirements, or even a hint of the scope or content.

The storyboard for the divestiture was something like this: new, divested companies, with anywhere from \$15 to \$23 **billion** in assets, would have to be launched, 70 million customers accounts, comprising 200 million customer records, would have to be split and allotted among new segments of AT&T and the relevant regional Bell Operating Companies; 24,000 building and 177,000 motor vehicles would have to be reassigned; new sales and service offices would have to be established, staffed and set in operation across the country; 136,000 employees would have to be transferred across company borders within the Bell system; hundreds of new tariffs would have to be filed with regulatory commissions; scores of computerized operational support systems would have to be torn apart, redesigned, reprogrammed, tested, and debugged; and the remaining AT&T would have to undergo radical reorganization.³⁴

Early in February 1982, a mid-level staff manager named Mike Farmer came to s the need for a comprehensive set of divestiture assumptions. Mike had been temporarily assigned from Indiana Bell to the AT&T Corporate Planning Division, a perfect example of the joint effort between AT&T and the BOC's. Acting on his own, he sat down, and analyzed the MFJ paragraph by paragraph, sentence by sentence, word by word, extracting every potential nuance of intent and meaning. From this analysis, he constructed a list of hundreds of questions, issues and implications.

³³ Ibid.

³⁴ Ibid.

The list was then distributed within AT&T to all departmental subject-matter experts (SMEs) in Operations, Finance, Regulatory, Human Resources, Public Relations, etc. to comment on, expand, and clarify. Concurrently, the central staffs in the Operating Companies were encouraged to engage in the same exercise, viewing the MFJ from their own vantage.

Hundreds of comments, answers, and corrections, rode the returning tide to Farmer's desk. Combined, they became part of the critical mass out of which Farmer rendered the first rough sketch of the divestiture picture-the initial set of assumptions that would drive the management effort for the next two years.³⁵

There wasn't a formula, a scientific method or a "how to book" did not exist for the dismantling of a company the size of AT&T. It wasn't just the size and the girth of the Corporation that was overwhelming, though that was certainly daunting. But, how did you successfully dismember a Company with one million employees, three million stockholders, \$150 billion in assets? **The real issue was how did you end a tradition, how did you tear a family apart, how did you re-invent history?**

A single man, Mike Farmer, took the initiative to outline hundreds of operational issues and ask the subject matter experts for their input. A single man who embodied the spirit of the Bell system took the gargantuan task on himself by rolling up his sleeves and stumbling his way through history.

³⁵ Ibid.

The "assumption set" covered every conceivable subject area: public policy, organizational structure, transfer of personnel, division of assets, billing arrangements and many more.

As it was meant to do, the rough sketch drew fire. SMEs, even those who had supplied opinions in response to the original questions - objected to, corrected, and touched up the finer details here and there, in effect sharpening the focus in areas they claimed as their own. The process was working.

This divestiture assumption set became the core document form which planning would proceed. It served as the baseline for other key documents: including the Planning Guidelines for Bell Operating Companies, and the Implementation Guidelines to be released during late 1982 and early 1983, and the Plan of Reorganization that had to be submitted to the Justice Department under the terms of the MFJ.³⁶

People in all parts of AT&T and subsidiaries came together interdisciplinary boards, ad hoc committees and task forces to execute the plans and principles developed in the first two quarters. In this fashion, a divestiture management apparatus took shape. The managerial network that evolved had several significant features. One was the spontaneity of its evolution. Although to some degree controlled, it grew faster and more effectively than corporate planners could have possibly have directed. Another feature was the prevalence of operating company

³⁶ Ibid.

people. Throughout the task forces, BOC representative were present in very considerable strength to express their views and to influence-- plans and issues

On August 24, 1982, Judge Greene issued his formal approval of the MFJ. Eight days later, the Restructure Implementation Board (RIB) was convened. The RIB was made up of 34 departmental executives from AT&T and an office with divestiture responsibility from each BOC region. Meetings were held every other Wednesday morning, from September 1982 to December 1983. The following were issues most frequently discussed:

- Access service
- Intercompany contracts
- Functional divestiture
- Procurement
- Force assignment
- Plan of reorganization
- WATTS/800 service
- Asset assignment
- 1984 cash flow requirements

The POR was submitted to Judge Greene on December 16, 1982. On July 8, 1983, Judge Greene approved the Plan of Reorganization (POR).

The POR as legal document had to be written by lawyers, interpreted by lawyers and approved by lawyers. However, its substance comprised complex

financial, operational, technical, personnel, and procedural matters all outside the ken of most attorneys. Furthermore the POR required the initiation of entirely original management principals in very short order and an internal consistency in the document itself that would stand as an extraordinary editorial feat.³⁷

The divestiture was the result of a settlement between AT&T and the Justice Department. In December, 1982, the Chairman of AT&T, Charles Brown, agreed to settle the current antitrust lawsuit that the Justice Department had filed and was in the middle of trying.

Unions

During a 1988, Focus Magazine interview the presidents of AT&T's two unions who shared some of their reflections in regards to AT&T divestiture and union membership. In 1988 Jack Barry was president of IBEW and Morton Bahr was president of the CWA. Both union presidents spoke highly of AT&T in the field of labor relations. Bahr "AT&T is one of the few companies that has bitten the bullet and recognized that the company and union have the same institutional needs: to grow, to be financially stable and create more jobs."

Barry "Job security is very important: it's the overriding issue. Divestiture and off-shore manufacturing are deep concerns of employees. Before divestiture, working for AT&T was tantamount to working in the civil service; it was lifetime employment. That changed overnight. Barry "Our people need security and we prefer to the company profitable to keep our people employed."

³⁷ Ibid.

As of April, 1992, unions represented 40% of all AT&T employees or approximately 92,000 of the 230,00 AT&T employees as of that year. IBEW has represented AT&T employees for 101 years. CWA has represented AT&T employees for 45 years. IBEW represents workers in manufacturing, construction and utilities in addition to its telecommunications members. The CWA, on the other hand, is the telephone union.³⁸

The union had lost over 100,000 jobs since divestiture in 1984, with what they felt was "no end in sight". The new technology in the Operator Services side of the house could ultimately replace half of the 17,000 operators that were left.³⁹ As far as I've been able to determine, the unions did not play a aggressive role during the divestiture process. I believe that this is a result of having to live with the decision to divest. Their role has been as always in trying to protect the existing membership, which has shrunk dramatically since 1984. The chief union decision makers were kept informed of the processes and their input was solicited when appropriate and for the sake of goodwill.

Once the decision of which functions were to remain with AT&T and which were to become apart of the BOC's domain, the unions leadership played a key role in facilitating this process.

³⁸ Focus, for and of the employees of AT&T, vol. 12, iss 16. 13 September 1988

³⁹ EDGE, on and about AT&T, "Voice recognition: the human cost: AT&T automates long distance, v7 n189, 2, _

CHAPTER 4

ASSESSMENT OF A CULTURE

Traditional Corporate Culture

Tunstall accurately describes the pre-divestiture environment, culture and character of AT&T and its people.

Reshaping the corporate culture was ultimately the most difficult task confronting AT&T and the divested companies. The Bell System's culture was as broad as the enterprise itself; as pervasive and deeply rooted as any value system in American business as amorphous, and yet as critical as the attitudes, belief structures, and expectations of 1 million employees. The culture would have to be reassessed, redefined, and adapted to bring the value systems and expectations of AT&T people into congruence with the corporation's new mission and to prepare employees for the aggressively competitive regions they were entering.⁴⁰ No useful empirical data existed for changing cultural elements.

"A nation's culture resides in the heart and soul of its people" (Mahatma Gandhi). A company's culture is a collection of shared values, behavior patterns, mores, symbols, attitudes, and normative ways of conducting business that, more than its products or services, differentiate it from all other companies. Cultural uniqueness is a primary and cherished feature of organizations, a critical asset that is nurtured in the internal value system. The corporate culture encompasses the very meaning of the organization, providing the metabolism and energy that drive it toward its strategic and tactical goals.⁴¹

It has been postulated that culture may play as significant a role as either strategy or structure in long term performance, especially in the large corporate organization experiencing significant changes in its markets and/or business environment. AT&T became a virtual laboratory of cultural change in real time, not only because of the radical nature of the change imposed, but also because of the critically compressed time frame in which the change had to occur. Divestiture would forever stand as a unique business event whose features were unlikely ever to be duplicated.

⁴⁰ W. Brooke Tunstall, *Disconnecting Parties*, (McGraw Hill, 1985)

⁴¹ Ibid.

The numbers of people affected, the sheer size of divested resources, the nature of the network, and the historic service relationship between Bell and the nation were but so considerations that set it apart from other potential corporate rearrangements. The change in business environments for AT&T bracketed a very highly competitive one. For decades, AT&T had enjoyed the benefits of an extraordinarily strong and productive culture, one deeply embedded in its history.

Bell's traditional culture blended a variety of mutually reinforcing features and attributes, the most prominent of which were lifetime career, up from the ranks management succession, dedication to customer service, operational skills, consensus management, level consciousness and a strong focus on regulatory matters. All of these attributes evolved to directly support one goal; universal service. Everything related to divestiture was affected by this goal; The kind of people hired, their shared value systems, the infrastructure of processes to run the business. All were committed to the unchanging objective of providing high-quality service at affordable prices to everyone in the United States.

Certain aspects of the culture would have to be nurtured and protected through the great transition. These included, most prominently, AT&T's historic vision of fairness to employees, owners, and customers; its dedication to the service ethic; its mutually reinforcing senses of loyalty and unity; its operational and technical skills and concern for safety standards. Cultural attributes would have to be adapted as management addressed hidden cultural barriers to change.⁴²

Emerging Culture

The following excerpt from a speech made by the Executive Vice President of Human Resources for AT&T succinctly describes the efforts to purposely create and mold a new corporate culture.

The human goals I want to address are these four 1. accelerate leadership development 2. create a climate that fosters a closer relationship between labor and management 3. make employee diversity a competitive advantage 4. focus on the human value of quality.

One lesson we have learned in the new world since divestiture is that we must commit to continuous improvement, to constant learning in our new environment. The old, predictable, safe world is gone. As one observer put it, all business faces permanent white water on the journey ahead. There no longer are placid inlets or safe harbors to hide.

Ibid.⁴²

Continuing downsizing that the Company sees as a disagreeable business necessity handled with compassion and that the unions view as anything ranging from unnecessary timed and ill planned.

...seeking employee input about how to restructure jobs and operations to serve customers better. This calls for a different sort of role on the part of the unions and the Company. It asks the unions to go beyond their traditional role of being of being primarily employee lobbyists and advocates. It seems that they become value added suppliers of AT&T's human resources, working with the Company to build the best and always up to date talent base in the industry, and enabling this talent to satisfy customers superbly, flexibly and at a reasonable price.

The human dimension of quality, I want to talk about quality in terms of people rather than process, because it is people who really make quality work at AT&T. it is our people who give us competitive advantage, not technology, not process, not packaging or styling but the human element.

We had a sobering reminder back in January 1990, of who fragile technology actually is and how important people and a commitment to quality are. We pushed the technology envelope on the network to the edge and we lost it for several hours. What helped recover from that blow to our image as quickly as we seemed to have, was AT&T people and the character they have developed in an industry with a tradition of honesty an a strong service ethic. It was AT&T people who owned up to the problem, then set about working endless days and sleepless nights to find the problem, fix it and prevent it fm happening again. In this instance our software failed us, our character did not. The power comes from AT&T people who understand our company's deeply held commitment to quality and who have a similar depth of personal allegiance to the concept.

For seven hours 5.5 million calls were blocked during the outage. Power generation problems knocked out one of AT&T's major switching stations, bringing domestic and international service to a standstill in the New York area. Supervisors were at fault for failing to check the equipment. The outage resulted in the cancellation of more than 500 flights nationwide.

The outage was so serious that Bob Allen, AT&T's President and CEO, was called upon to testify in front of Congress regarding this network failure. It was determined that the failure, ultimately was due to human error.

No information was ever released as to what action if any was taken against these supervisors and technicians. However, a variety of programs have been instituted within the Network Services Division to solicit employee input, measure employee morale and provide recognition when and where appropriate.

Personal Comments On Corporate Culture Excerpts

Regardless of what Tunstall says in his book, Disconnecting Parties, about people of AT&T being "bruised but not broken" , the point is that employees were left to deal with the emotion, pain, and confusion by themselves. They remained bruised and emotionally unhealthy. Tunstall's dismissive attitude typically exemplifies the attitude of the upper management team, that still dominated the Company, but at least superficially is slowly changing.

Tunstall can say that there were "actions aimed at reestablishing a sense of mission, identity, confidence, and self renewal after the distress of divestiture." But the reality is that no measures were put into place to deal with the emotion and the grief until the entire AT&T Computer Systems business unit was dismantled in 1991. AT that time a variety of employee support systems were first put into place for that specific universe. Since then, other business units have begun to use the various measures that were introduced by the Computer Systems business unit.

Preserving a Culture Through Storytelling

Previously I mentioned that when I joined the Company, existing employees were resentful of the “new wave” of employees hired. I experienced and learned of their; resentment, pride in the company, spirit of service, support network of resources through the stories they shared. The stories were told everywhere, standing around someone’s desk, at lunch, on the drive out to see a customer, at meeting, etc. The storytelling was done unconsciously, but it honestly conveyed how these employees felt about their company. Even the storytelling process itself was a reinforcement of a tradition, a tradition that was followed by example. Stories such as:

- Cherry picker trucks picking up employees from their homes during blizzards in order to ensure that there were enough operators, etc., to handle customer calls.
- Armed security guards hired, windows boarded up and sleeping cots brought in to the Customer Billing and Operator Services Centers in order to protect and house employees during the Chicago riots of 1968, again to ensure service.

My training class friends and I would compare notes, astounded by some of the stories and the years of service that we had heard. I know of one woman who has 38 years service with AT&T and is 55 years old. In addition, almost every company publication contained a story of superhuman effort in the face of adversity. Just a few examples are:

- The story of Angus MacDonald a lineman photographed wearing snowshoes and patrolling on foot the New York--Boston--Maine telephone line during the Great Blizzard of 1888

- The story of Cliff Bannister, a supervisor in Mesquite, Texas, who found an abandoned baby left out in the cold and saved its life.⁴³
- The story of Vivian Wing an AT&T operator in El Monte, California, who received a call from a small plane that had lost all electrical power. She connected the pilot with the airports control tower and stayed on the line relaying communication between the two until the plane safely landed.⁴⁴

Much has been written regarding the business, technological and financial impact, both long and short range, regarding the AT&T divestiture. A great part of the success and history of AT&T was based on the people of AT&T, a fact that was widely advertised and acknowledges. However, particularly as a management employee of AT&T, I felt, suspected and observed that the emotional needs, the human factor was ignored during divestiture and in the subsequent downsizings, right sizings and re-engineering that took place. The human factor that had heavily contributed to its success had not been addressed. I believe that this occurred out of ignorance on the part of the executives not out of design. I believe that Tunstall and his counterparts thought that the employee force would emotionally "roll with the punches" as they had with any and every other change that had previously come along. They were not prepared for the reactions that resulted from the demise of what employees felt was their fundamental core of employment - lifetime security. Nonetheless, I observed that a corporate system that fostered a culture with a deep rooted sense of family had in the long run emotionally let down its own family.

⁴³Jon Mellor, "Long May He Run", Focus Magazine, for and about the people of AT&T, Febry 1992, 41.

⁴⁴Jon Mellor, "A Wing and A Prayer", Focus Magazine, for and about the people of AT&T, Juary, 1992,42.

CHAPTER 5

EFFECTS OF DIVESTITURE

The Human Side of Divestiture

Here are some examples of how AT&T employees felt about divestiture at the time that it was happening (1983 -1984). The following quotes were taken from a variety of video interviews that I found in the AT&T Video Tape Archives.

“Uncertainty caused a lot of stress, it was a very emotional, like a divorce, it was a separation of close friends.”

“AT&T was a way of life - not just a job or place to work. As of May, 1984, Exxon become the largest company in the world.”⁴⁹

“Ninety percent of the employees think the Bell System is a good company. It has low turnover. It's an era of a new worker - 'he wants to understand what is going'. More than half of employee's morale is sinking.”⁵⁰

⁴⁹“Breaking Up Is Hard T Do”, PBS, May 1984, AT&T video library, archives.

⁵⁰Tom Brokaw, "Interview of Charles Brown", CBS's TODAY SHOW, April 23, 1979, Video Library, AT&T Archives.

"There's a lot of uncertainty and frustration. Will I have a job? What's going to happen. Anxiety built up over time."⁵¹

"AT&T had incredible 'esprit d' corps' cemented with a service mentality and sense of family and of doing a public service. Divestiture has been about breaking a family apart. Breaking up colleagues and friends. Lots of pain."⁵²

"They don't care about the lives they're screwing up. Why are they breaking up something that is good? This company did a lot for this country. Judge Green screwed the company. Divestiture brought nothing to employees - only heartache."⁵³

We can also be a world-leading company in our humanity with all employees. We used to be. We have had a steady stream of employee attitude surveys to deal with the morale problem. However, those surveys deal with statistics, not people. Often we end up shortcutting the dignity of work. How often do we look beyond our jobs to the human dimensions of our work? Let's be a reminder to all too dig down deep and rediscover the principles that promote the dignity of work."⁵⁴

⁵¹"Breaking Up is Hard To Do", PBS, May 1984, AT&T Video Archives.

⁵²Ibid.

⁵³Ibid.

⁵⁴ D. Torrell, employee letter to the editor, **Focus Magazine**, for and about the people of AT&T, March 14, 1989.

"By closing more offices and laying off workers, AT&T is destroying employee morale" said Jim Irvine a CWA Vice President. He believes the quality of service would decline as a result."⁵⁵

"AT&T workers are angry and fed up with years of abuse and are mobilizing to fight back." Managers have been calling workers in to their offices and telling them that layoffs and closings would be announced on March 4, and alarming people in offices that won't even be affected. All of this was done before the Company met with the union to explain their plans. CWA represents 127,999 union represented AT&T workers nationwide."⁵⁶

Changing Corporate Climate and Labor Force

There is no doubt that the AT&T corporate culture had to change as a result of the divestiture and increased competitive pressure. Neither corporation's leadership nor its employees, stockholders, customer, or suppliers were either prepared nor willing to accept this change. However, eventually even the most conservative opposition had to not only accept , but embrace the changing times as a matter of survival. Embracing the change meant you could then take some control and ownership of the process instead of being its victim.

Morton Bahr, President of the Communication Workers of America (CWA) in 1988 said:

⁵⁵John J> Keller and Christopher Wians, Wall Street Journal, 29 March 1990,pA4.

It is the union's objective that every employee be guaranteed lifetime employment, if the employee is willing to be retrained as technology changes jobs and, where there is absolutely no other alternative, relocate. We have to recognize that it will be increasingly difficult to come out of high school, go to work, stay 30 or 35 years in the same location, and retire. Technology is changing every year three to five years. We're emphasizing with employers that we're interested in partnership. The work ethic that made this nation successful seems to be on the downgrade, and we've got to overcome that.⁵⁷

"The Company is becoming more creative, too. We're learning to take risks. We're learning that just because AT&T did it in the past doesn't mean we can't change and try a new direction."⁵⁸ For AT&T this meant a new way of doing business and teaching employees and customers a new way of life. This process was to be a continually evolving and experimental stage. Over the next ten years there would be a lot of stumbling and growing pains along the way for everyone involved.

During the 1991 demise of AT&T Computer Systems as a result of the NCR merger and the elimination of approximately 6,000 jobs, AT&T introduced career support programs, including counseling service, job retraining and up to eight months for managers to find new jobs within the Company and out placement help for people who seek employment outside AT&T, efforts that had not been present during divestiture.

The Company provided career centers that offered workshops on coping with change and using AT&T's internal job transfer systems. Workshops also included career goals setting, resume development, interviewing skills, and financial planning. All of these efforts were a direct result of the painful lesson that was learned through divestiture. Downsizing is always ugly, but at least there were lessons that were learned and applied. The corporation was definitely moving forward. AT&T's management had learned the hard way and going forward know that it need to: continue to invest in employees' training and development and must encourage and

⁵⁷ Laura W. Haywood, Focus Magazine, 13 September 1988, 7.

⁵⁸ Focus Magazine, AT&T Publication, 14 February 1989, 13.

reward a new operating style that encourages openness, employee involvement, risk taking, and above all else, that demands that we focus first and last on our customers.

Another challenge is the task of building a qualified work force in light of the predicted shortage of qualified labor in the 1990's. Two things are essential. The first is listening to employees and understanding their concerns. The second is to be willing to innovate and to be open to new ways of managing and to the possibilities offered by alliances with important players -- such as the unions. When you are dealing with the American labor force, what worked 30 years ago, or maybe even 10 or 5 years ago, won't work today.

We must compete for talented employees as fiercely as we now compete for customer's business. Even after we succeed in this talent search, that does not mean permanent, lifetime agreement between employer and employee. The new breed of employee today changes the type of work they do five times over the course of their careers. Even those employees who do stay with AT&T, the nature of their work will constantly evolve because of our rapidly changing technology.

Unlike their parents, new employees do not necessarily link their personal success to the success of our business, or any business. People these days need more self fulfillment. Their personal emphasis is on their own professional identity rather than the identity of the company. Another trait is a suspicion of authority. We have a generation of workers who are reluctant to accept direction unquestioningly, who simply cannot and will not function under the old management model of high supervision and low trust. Given the labor shortage that is predicted, the most talent will certainly not have to put up with authoritarian management.

The point is that people coming in to the business these days arrive with quite different values and expectations that most of us grew up with. What is called for is a fundamental change in the way we manage people and in our relationships with the labor force.⁵⁹

"No one can make a pledge of no more downsizing. We will continue to do everything possible to minimize downsizing in the future."⁶⁰ This was not what anyone wanted to hear, however, it is an honest appraisal of the situation, not only within

⁵⁹Bill Ketchum, "AT&T Labor Relations in the 1990's", Executive Speech Unpublished in the Public Domain, 30 May 1990, AT&T Archives.

AT&T, but in the overall U.S. corporate culture. This is evidenced by the changes at other major corporations such as IBM KODAK, GM, etc.

Divestiture proved to be a spark of change. "AT&T entered new and unregulated markets, such as data processing and computers, and eventually the credit card industry unlike airline deregulation, divestiture has truly caused price cuts and quality improvements."⁶¹

AT&T has learned the following tough lessons in how to deal with downsizing. These lessons and the resulting processes means:

Steering employees through a four step process: Giving them counseling on how to deal with the loss of life time colleagues; training them in new skills; "empowering" them to use those skills without turning to an over protective boss or an all encompassing rule book, and finally rewarding them for making the transition .⁶²

In an 1988 interview, Bob Allen, President and CEO of AT&T told the world that:

AT&T people must have a passion for winning in the market place. That requires passionate dedication to satisfying customers. I'm calling on our people to apply their talents, knowledge and skills to make AT&T the global leader in enabling customers to reap the benefits of information technology. I want them to challenge some of the old "sacred cows" of the business. I believe in competition. That's one way it works. It helps change your mind and your culture. We have a very talented reservoir of people. I think many of our people are inhibited or constrained by our culture or organization. They lack a common philosophy or understanding about their

⁶⁰Ibid.

⁶¹Stanley Welland, "Life After Divestiture; Price Cuts, Quality Improvements, and more", Information Week, 26 January 1992,48.

⁶²Claudia Deutsch,New York Times, 3 June 1990, Sect.3;Part 2,25.

role in the business. I want all of our people to feel they can unleash themselves and focus on winning in the marketplace.⁶³

Morale Issues

The problem is a fundamental one; Employer and employee have always shared an unwritten pact: "If I do an good job for you, you'll take care of me." No more, to survive, they must keep one step ahead of technology, marketing trends and the company's balance sheet.⁶⁴

The message employees hear is: 'You're expendable. Your job hinges on the next contract. You're less likely to get promoted. Even if you do a good job for us, you may be let go.' The days of the 25-30 year career with one company, a gold watch and a secure future are over, companies tell you. Companies shed people like snakes shed skin, only the corporate types do their molting at every blip on the quarterly profits chart.⁶⁵

Everyday we see stress manifest itself in increased absenteeism, escalation of violence in the workplace, and especially in rising health care costs. The feverish pace most corporations have set for themselves is perhaps the largest contributor to workers' high anxiety levels.⁶⁶ These morale problems and dilemmas are intensified within AT&T because of the deeply rooted culture that has existed since 1885.

⁶³Don Ferenci, Focus, 22 November 1988, 22.

⁶⁴Bob Bellinger, "Professional Pipeline", Electronic Engineering Times, 7 January 1991.

⁶⁵Ibid.

⁶⁶Michael R. Losey, "Managing Stress in the Workplace" Modern Office Technology, February 1991, v36 n2 p48.

CHAPTER 6

SUMMARY AND ANALYSIS OF INTERVIEWS

As previously mentioned, I interviewed 18 people in order to collect and analyze current and former employees' emotional reactions to divestiture and subsequent downsizing. The questions were geared to solicit responses regarding how they felt they had been treated.

The following three questions provides what I consider to be the most insightful, heartfelt and emotionally charged responses. Each questions is followed with a brief analysis of the responses and with some direct quotes from the subjects. I believe the selected quotes characterize the general reaction of the subjects.

1. What expectations did you have of the company when you started to work for the Bell System (AT&T)?

Analysis

Employees expected life time employment - job security in exchange for their loyalty. That loyalty meant no one represented the Bell System better than its employees in the community. For example, that loyalty was what motivated 850 Southwestern Bell employees to restore telephone service to

18,000 phones within 72 hours after a tornado demolished 15 miles of downtown Topeka, Kansas, in 1966.⁶⁷

Responses

" I guess I expected the world. I can do the job and be rewarded. I expected to make big bucks, promotions and a good career."

"Great company to work for - very technical. I expected a long-term career, to make the supper echelons of management."

"To have my initiative rewarded both with promotions and financially."

"I was told in every six month review, 'if you do a good job we'll boost you along'."

"She said they would pay me well - I would get a series of raises and good benefits, that it was a very long-term and very secure company."

"I figured I would work here the rest of my life."

"I expected to have a career in terms of somebody sits down with you and plans your assignments, figures out where your next move is, etc."

⁶⁷H. M. Boettinger, The Telephone Book, (Stearns Publishing Ltd. 1983).

"Promotions and mobility."

2. How did things change for you after divestiture?

Analysis

The corporation became totally focused on the process of divestiture and in successfully executing and implementing the break up. The human element was ignored. Management counted on the "courage, initiative, good judgment, and resourcefulness" of its employees to get the corporation through the process. However, they failed to provide and care for the spirit and lifeblood that had created and was the Bell System.

Responses

"Job security - it was gone. A lot of wariness - did I make the right decision about either going to New Jersey Bell or with AT&T? Gradually feeling more and more defensive. The demise of people and their organizations. That was the scariest part, they weren't necessarily getting rid of people because of poor performance. They just drew a line and said we no longer need this group of people.

"Totally unaware and uncaring of the emotional impact that this tenacious and somewhat rocky business has these days. All I am is a number. I don't feel

that there's any compassion at AT&T for it's employees any longer.

Recognizing that I'm a human being with feelings, emotions, and a personal life that exists after 5 p.m. I give the company my all during working hours and many, many hours beyond.

"I think they're determined to be a global leader and I don't think they're going to take any crap from either employees or the outside competition."

"It because a very chaotic environment. The environment got even more competitive. Somewhat ruthless in terms of how they managed their business and their labor force. Darwinistic - if you're not such a good salesperson, etc., you're gonna die earlier -- if you're the best at what do you, you're going to be the last personal to die."

"My self-esteem was really shattered. To have someone come in and say you're no longer the boss, but you can stay here or go over there and then retire. and when people who had helped you earn your self-esteem see you coming, they turn their backs and pretend to be working or something - then you say they not only didn't care about me as their boss, but now as a human being they don't want to bother with me. There must be some green stuff or something on my face that I don't see and that won't come off. During that time I never went to lunch with anyone. I went to lunch alone everyday."

"Every man for himself" mentality. I read at the time an article a sort of top executives perspective for the next few years - and it never mentioned

people. They're driven by number. It's really even now one person kicking the next person, kicking the next person, etc."

3. What four words would you use to describe AT&T?

Analysis

The corporate goals are focused on the bottom line the company is perceived as blundering its way toward that goal because of lack of proper planning. In addition employees feel that upper management does not listen to the suggestions and comments from "front line" employees. Employees feel the "powers that be" do not value or take into consideration the experience and wealth of knowledge that they apply when these suggestions are made. The corporation is viewed as focused on the ultimate goal regardless of anyone or anything.

Responses

"Large, fickle, sharp (smart, intelligent employees)."

"Profit oriented."

"Conservative, large, slow, hopeful."

"Analytical, ruthless, focused."

"Ready, Fire, Aim."

Final Analysis of Interviews

There are two different types of employee groups at AT&T, the first one is the group that was employed with AT&T well before divestiture. This first group can be generally categorized as having had less formal education, working themselves up through the ranks from positions such as operators, installers, etc., to various management levels, having a multitude of family and close friends employed with AT&T, and formerly employed with one of the Bell Operating Companies.

This first group had expectations that had been built up over 100 years of AT&T's history. Succinctly, the corporate culture had promoted an exchange of "benefits" with these employees. In exchange for loyalty the AT&T system would provide job security. But it is important to define "loyalty" and "job security".

Loyalty can best be explained by way of how employees were treated prior to divestiture. The Bell System was called "Ma Bell" for a reason. It was a benign, caring totally encompassing organization. Prior to divestiture nepotism was encouraged by the Company. Whole families worked for the Bell System. It was not unusual to find parents, their children, in-laws, nieces, nephews, spouses and grandchildren employed with the Bell System. As a matter of fact, the parents of the Chairman of the Board at the time of the divestiture, Charlie Brown, both had worked for the Bell System. It was unnecessary for the Bell System to spend either the time

or money to advertise for jobs in order to fill the openings. This nepotism also served to strengthen employees' ties to the Company.

Employees never had to concern themselves with a career path, because their immediate supervisor or manager took care of that for them. Employees were told by their managers what and when their next promotion would take place and to what position, and in what organization it would be. Supervisors told employees what classes to take and when to take a particular class. Employees never had a need to write a resume. In most cases, the immediate supervisor or manager submitted the employee for the job and did all of the necessary lobbying. In essence, employees were led by the hand, the generous parent, Ma Bell, took care of everything.

What the Bell System received from all of this benevolence was greater productivity. Employees had more time to spend at their jobs and with greater dedication when someone else, their supervisor or manager, was looking out for them. This is where the issue of loyalty came in. In exchange for all of this kindness, the Bell System expected individuals to care as much about the Company, as the Company did about the individual. In truth, it was more than an expectation, it was a non-verbal agreement. As an employee, the moment you accepted and benefited from the Bell System's matriarchal amity, you now owed them. What was interesting is that employees were not beholden to an abstract corporate entity, so much as to other peers, friends and family. They were the ones that expected you to produce in exchange for their collective job security. Ma Bell, the one who had taken you into her warm, secure and embracing arms, had a face that was a composite and a collage of all of fellow employees, friends and family. The line that may have once have

separated an individual's career interests from the corporation's interests had blurred to the point where one could not be differentiated from the other. The Bell System's cry and banner of universal service became that of all employees'.

This loyalty was enforced on a regular basis. As I mentioned in an earlier chapter, there were endless stories and company newsletters that reinforced excellence of service in the face of any and every kind of adversity.

The second group of employees were those that can be categorized as having been hired approximately two years prior to divestiture, during and since divestiture. This second group had other characteristics such as, undergraduate and graduate degrees prior to being hired, no family or friends that had previously worked with the Bell System, no expectations of lifelong employment. This group was hired directly into the management ranks.

This group was wooed with illusions of empowerment, professionalism, career opportunities, bleeding edge technology and all of the dreams that comes to mind when the phrase "the world's largest corporation" is dangled in front of them.

As you can see from the interviews, the job reality for both of these groups turned out to be completely the opposite of the job expectations that had been initially created by AT&T.

For the first group, divestiture changed the rules of the game completely. Overnight, the rug of job security was pulled out from under them. Everyone

understands the reality of the business world in the 1980's and 1990's. However, what was not addressed and in many ways continues to not be addressed is the emotions of the workforce. Emotions are part of the human element. Everyone acknowledges the trauma people undergo when a death occurs in a family, or a serious illness or a divorce, etc. The AT&T Divestiture was in effect for these employees, the people, a death, a divorce, a serious illness, a new culture and then some, all rolled up into one. It was much more than just unemployment, it was the loss of a parent, friends, the uprooting of their way of life and culture. The AT&T Divestiture was an emotional trauma for all of these employees. Not only was it losses, but new ways of doing things with no bible or new rules. However, the corporate expectations of the employees remaining the same. In mid-1994, during a casual conversation with a woman who has just been terminated due to downsizings, she expressed what I believe are the emotional needs of employees rather eloquently. As she quietly cried, she chokingly said:

"I worked for this company for 22-1/2 years and all they did was throw this termination package at me. For the last year and a half my group was under intense pressure to reduce expenses and bring up revenue. I spent sleepless nights trying to come up with new ideas to meet our goals and I wasn't the only one. Excuse my language, but the damn director who is in New Jersey couldn't even get on the speakerphone or make a damn conference call to just tell us 'thank you' or to say 'I know you tried your best, but we still had to close down your office.' Then when we went to the Resource Center, they're supposed to help us write resumes and find jobs, the first thing the job counselor there said to us on the first day was 'The Company doesn't owe you anything', well excuse me, but it does. It owes me to treat me like a human being. The people who are left that are supposed to help us, treat us like dogs, like we're lepers. This is what we get after 22-1/2 years. What do you think the likelihood is of finding another job within the Company if our own group doesn't want to have anything to do with us. It's not like I'm a terrible person or was a rotten employee. I always got good appraisals, but this is what it has come down to."

The second group felt that they were hired by the industry leader to do great things and subsequently felt that great things would happen to them and their careers. From the interviews I was able to garner that they felt they were courted and hired as thoroughbreds but put to work like plowhorses. This group did not expect to be lead by the hand; however, they did expect career opportunities. Instead, they found those in influential positions who harbored great pain about the past and also managed ala the old culture. Subsequently by "retiring in place" these managers diminished this second group's opportunities and creativity. This second group is experiencing divestiture culture shock waves and corporate culture clash between these two dissimilar groups even ten years later.

Conclusion

With each new downsizing, AT&T appears to be learning and applying valuable lessons that they have painfully experienced with each previous downsizing. For example, in the 1994 surplus declaration they have announced (25,000 by January 1, 1995) they are providing job posting systems, career placement alternatives, career transition support and flexible force management programs that will allow a business unit to address the force imbalance using voluntary, involuntary or combined voluntary//involuntary separation programs. Hal Burlingame, Senior Vice President of Human Resources has written and distributed a memo that asks all managers "for your personal commitment to help address this major challenge: to assure that the current force adjustments are handled with as much demonstrated leadership care as possible, and with a determination that all people of AT&T will feel treated with fairness, candor and compassion."

Even though as a corporation it has made significant strides in the area of true concern for the employee as a human being, they still have not been able to find a method that allows employees—particularly longer-term employees—a constructive manner for expressing the emotional "baggage" they have carried around with them since divestiture in 1984.

In late 1993, early 1994 AT&T created a new policy called THE COMMON BOND. This policy asks every employee to commit to "guide our decisions and behavior by : 1) Respect for Individuals; 2) Dedication to Helping Customers; 3) Highest Standard of Integrity; 4) Innovation and; 5) Teamwork. In particular, with this formal attention to respect for the individual, AT&T has officially gone on record recognizing and addressing the emotional needs of employees.

The people of AT&T have gone through a painful rites of passage. Other corporations can learn from AT&T's decade of trials and errors and save themselves considerable financial and human expense. In the past two years it has been apparent that in corporate America, other companies have learned and are still learning the mechanics of dealing with corporate mergers, massive downsizings and reorganizations. By the mechanics I mean providing "at risk" employees with training and resources for finding new jobs or learning new skills. The lesson that still needs to be learned is that of respect for the individual, which is a lesson that AT&T is still struggling to learn not only in theory, but in practice. I believe the most valuable lesson has been to not take for granted what I think is the most valuable asset, the human asset.

Personally this thesis has served as a catharsis for all of the emotional baggage I carried insofar as my experiences with the AT&T Divestiture and its impact on me and the people with whom I came into contact. What I have learned in assembling all of the data for this thesis is that regardless of the environment, when it comes to dealing with people, nothing can replace respect for the individual nor the strength of its impact.

APPENDIX 1
INTERVIEW QUESTIONNAIRE

1. How long were you with AT&T/Bell?
2. How did you come to work with the Bell System?
3. Give me a brief work history of your time and experience with AT&T/Bell.
4. What expectations did you have when you started to work for the Bell System?
5. What in particular was said or done to encourage those expectations?
6. Were any of these expectations met?
7. Did you have any family or friends that worked for the Bell System when or prior to your joining the company?
8. What role, if any, did they play in your decision to join the company?
10. How long do you now expect to work for AT&T?
11. How did things change for you with the divestiture?
12. Were you ever told you were at risk?
13. How did you feel when you were told you were at risk?
14. In retrospect, how could it have been handled differently?
15. How do you feel you've been treated at AT&T?
16. How do you feel about life at AT&T?
17. Would you continue to buy AT&T products and services?
18. What four words would you use to describe AT&T?

APPENDIX 2

PERMISSION FORM

Date: _____

I am giving my permission to be voluntarily interviewed as part of the research for a Graduate degree thesis being written by Norma L. Gonzalez.

I understand that only by first name, or whatever name I choose, will be used in the interview. I also understand that the interview will be audio taped.

The thesis is entitled: "The Emotional Impact of the AT&T Divestiture and Subsequent Downsizings Upon Former and Current Employees."

Interviewee Signature: _____

Interviewer Signature: _____

Norma L. Gonzalez

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VITA

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Her elementary education was obtained at St. Joseph Catholic Grade School in Chicago Heights, Illinois. Her secondary education was completed in 1973 at Marian Catholic High School in Chicago Heights, Illinois.

In September, 1973, Ms. Gonzalez entered Loyola University of Chicago, receiving the degree of Bachelor of Business Administration in January, 1977.

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THESIS APPROVAL SHEET

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The final copies have been examined by the director of the Institute of Human Resources and Industrial Relations and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval by the committee reference to content and form.

The thesis is, therefore, accepted in partial fulfillment of the requirements for the degree of Masters of Science in Industrial Relations.

4/7/95

Date



Director's Signature