



Western Electric

WE

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A Conversation with
Don Procknow



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Early in October, WE editor George Gray interviewed company president Donald E. Procknow on the state of the business and the progress of reorganization. While many specifics about reorganization are still to be resolved, Mr. Procknow talks about the new directions and new initiatives the company is taking.

WE: Now that Judge Greene has signed the Consent Decree ending the Justice Department antitrust suit, what do you see happening in Western Electric?

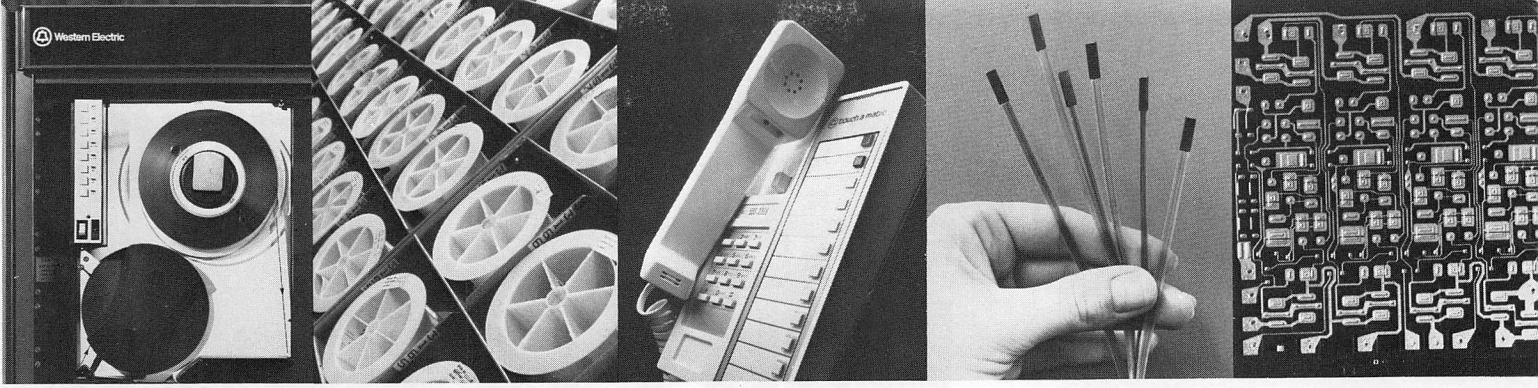
Mr. Procknow: I see several things. Judge Greene's signature signalled the beginning of a new era for Western Electric — an era of new challenges, new markets and new opportunities. We're going to take full advantage of those opportunities. I'm aware of the formidable competition facing us. Well, let me make a few points: First of all, competition isn't a new thing for us. We've been dealing with it for a long time, and we've managed to stay on top.

There's not another team like Western Electric and Bell Labs anywhere in the world. We have been called "a technological powerhouse." We have the technology and the skill to use it well. In other words, we're pretty formidable competition ourselves. What's more, we intend to work hard to keep it that way, and I'm sure most of our employees feel the same way.

WE: Do we have a master plan for the years ahead?

Mr. Procknow: Yes. It's important to realize that we're not approaching this thing haphazardly. We're not simply going to react to events as they occur. Wherever and whenever possible, we're going to shape those events. Looking ahead to the long term, we are in the midst of putting together a new five-year plan based on the new environment. We are actively at work determining the details of how we might broaden our opportunities to sell to new customers — for example,





selling components directly to original equipment manufacturers and more products to the independent telephone companies. At the same time, we are actively pushing at more sales to foreign telecommunications administrations. Such sales would be through ATTI, and they offer many future opportunities. Of course, we have to continually assess our priorities and we're doing that right now. It's basically a question of picking those business opportunities for which our skills and resources are best suited.

WE: What products do you see as key in our future?

Mr. Procknow: We have some exciting products right now — such as lightguide, the No. 5 ESS and 3B processors, digital transmission products and a host of innovative software packages. And there are many other exciting products coming off the drawing board in the customer premises area. We've invested very heavily in leading-edge technology at Bell Labs and it's beginning to pay off. In order to grow and develop, in whatever lines of business we enter, we'll need good products at the right prices. I'm confident we'll have them.

WE: The current planning under Computer II is that starting the first of the year, AT&T will operate a fully

separated subsidiary to sell de-tariffed telecommunications products to the general public. What will our relationship be with them?

Mr. Procknow: American Bell, Inc., the fully separated subsidiary, is being established to comply with the Federal Communications Commission decision in its Computer II inquiry. For the foreseeable future, only Bell Labs people and a small number of Western Electric people directly involved in development of such "de-tariffed" products will transfer to the new subsidiary. The factories will remain in Western Electric. In essence, WE factories will supply American Bell with telephone sets, PBXs and other cus-

tomers premises items that they will in turn sell to the general public.

WE: What does the business picture look like for the next year or so?

Mr. Procknow: This year, our sales volume is down about 8 percent from last year. The telephone companies, which are our principal customers, have cut back on construction, and our orders are down. And, frankly, we don't see any big improvement for next year, unless there is a substantial upturn in the economy beginning almost immediately. Realistically, that doesn't seem likely at this point.

All of this, of course, is making it more of a challenge to take advantage of our new freedom and opportunities, but I think we're up to it. Throughout the company, I can see an eagerness to get on with our business and begin what promises to be an exciting future.

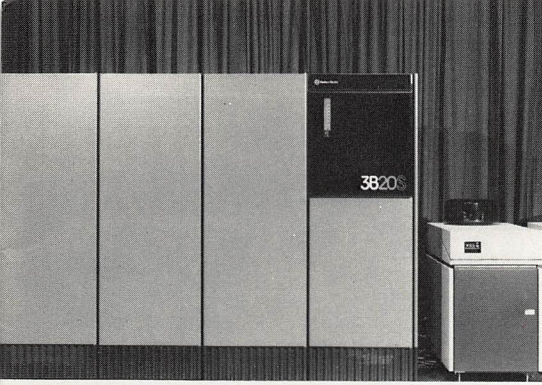
WE: What is the effect going to be on jobs?

Mr. Procknow: Barring any sudden upturn in the economy, there will be further cutbacks in certain areas of the business.

WE: There has been a lot of talk about a new marketing effort. What precisely are we doing?

Mr. Procknow: We have been giving a great deal of thought and attention to the organization and development of our marketing and sales efforts. For





"We have some exciting products right now..."

example, we are continuing to build up and strengthen our account manager groups, who are directly responsible for selling telecommunications products to our traditional customers — the AT&T interexchange operations and the Bell Operating Companies or BOCs. We're going to have to take the initiative and push sales in areas where we've never really pushed before. We're going to pick the brains of consultants and possibly bring in some outside talent to help us position ourselves in what we expect will be a fiercely competitive arena, as traditional or new competitors seek what they think are new opportunities for them as a result of AT&T divesting the BOCs.

WE: Now that the air is beginning to clear with the breaking apart of AT&T and the local exchange companies, what does this do to the dozens of antitrust cases that have been hanging over our head for years. Are we finally

going to be allowed back to running the business or are these legal proceedings going to be with us forever?

Mr. Procknow: Lots of people seem to feel: "It's all settled." Let me put in a word of caution. There's a tremendous amount of work still to be done in finding our way through all the divestiture ramifications. Divestiture is not going to happen overnight. As for other antitrust suits still pending, they will probably keep our attorneys busy for years. We've had no indication that any of the ones now pending will be withdrawn although the possibility of new ones being added may be less. And on Capitol Hill, the possibility of new legislation for the telecommunications industry is still very much alive.

WE: Since AT&T will no longer be receiving the license contract fees from the BOCs, both AT&T and Bell Labs will be more dependent than ever on Western Electric's earnings. What changes do you see this as bringing to the way we operate?

Mr. Procknow: It really puts the pressure on Western Electric to grow and to earn well. We're going to have to tighten our cost reducing belt.

We're going to need more robotics, and software and anything else that will help us become more efficient producers.

I don't want to duck realism, but I feel very positive. We're entering this new era with great strengths. Sometimes when we get to talking about problems of the economy and divestiture, we tend to overlook what a great product line we have and the well-trained workforce, enthusiastic to take on new challenges. We have a history of service and cost-control and quality virtually without peers. And we do see great opportunities for the future.

