

# in•Touch

NEWS FOR EMPLOYEES OF IXC COMMUNICATIONS, INC.  
VOLUME 1 • ISSUE 4 • AUGUST 1999



## In This Issue

- Rick Pontin on Partnership....2
- Transition Teams at Work.....3
- Project Cornerstone Focuses On Customer Satisfaction...4
- And more!

## Merger with Cincinnati Bell Positions IXC for Growth, Increased Value

**F**ollowing the announcement of IXC's merger with Cincinnati Bell, CEO Rick Ellenberger, COO and transition leader Rick Pontin and CBI's senior management team traveled to Austin to begin meeting with employees about prospects for the new company we're creating together.

"Combining your state-of-the-art network and national sales force with our financial strength, management depth and expertise in back office and provisioning excellence, the merger unites the best of both companies to form a world-class communications leader," Ellenberger told employees.

Employees at other locations participated in a conference call with Ellenberger and Pontin August 9th. Rick Ellenberger also traveled to Houston August 18th to meet with employees there. Rick Pontin is planning a tour of all IXC/Eclipse operations in the near future.

"The merger delivers tremendous mutual benefit. Combining our resources will bring about accelerated

development of the network, more widespread DSL market penetration and improved customer satisfaction," says John Zrno.

We have now entered what's known as a "quiet period" — imposed by the Securities and Exchange Commission — during which detailed or forward-

**". . . the merger unites the best of both companies to form a world-class communications leader."**

- Rick Ellenberger

looking communication that could result in unfair trade is prohibited while the necessary financial and regulatory filings proceed. The quiet period will last until voting proxies are mailed to shareholders of both companies, the date of which is unknown at this time.

Following the quiet period, more detailed information about the merger will be available. Your continued

questions and comments are encouraged; submit them via *Response Time* on the iweb home page.

Some Highlights:

- The merger transaction is anticipated to close late 1999 or early 2000
- IXC is to operate as a subsidiary and will comprise approximately 30 percent of CBI
- A major objective of the merger is building shareholder value. CBI's strengths include provisioning and back office support, service bundling, combined billing and executive leadership.
- IXC's interim performance is crucial to driving the combined company's stock price
- IIXC stock will convert to CSN stock, adjusted by a conversion factor of 2.0976 upon closure of the merger
- Network rollout will be accelerated following the transaction closing
- John Zrno and IXC chairman Dick Irwin will join CBI's board of directors following completion of the merger

See related articles on transition teams and employee feedback about the merger.

## What Did You Hear? Employees Speak Up About the Merger

**W**e asked you to tell us what you heard when Rick Ellenberger and the senior management team from CBI met with employees in Austin. Following are excerpts from comments logged on *Response Time* (on the iweb). Keep the comments and questions coming!

### Possibilities

"I'm looking forward to working with a company that has already shown expertise in customer service and am eager to see what standards and structure they will bring to help our part of the business."

- Vicki Lackey, coordinator, Retail Order Activation

"It was heartening to hear Rick communicate that his management team envisions a 'complementary merger' of our companies . . . the prospects are

exciting for all of us who've already worked so hard to see end results finally become more than mere possibilities."

- Paul Girton, database specialist, Network Planning

"I believe they will make every effort to use the talent we now have on board. I choose to think positively and believe what they are saying."

- Anonymous

### Challenges

"Cutting costs . . . our processes could use Cincinnati Bell's refinement and leadership. This truly sounds like an excellent partnership."

- Sandra Dunaway, cost analyst, Network/Line Cost

"Maintaining the network . . . supporting operations and utilizing Restoration & Upgrade to its fullest to keep the integrity of the existing fiber system at a maximum and costs to a minimum."

- Kim Lawrence, telecom liaison, Restoration & Upgrade

"We must perform at peak capacity over the next few months — and that will take all of us. We must be proactive in the integration effort."

- Lee Follender, consultant, Training & Organizational Development



## In This Issue

- Cincinnati Bell Delivers on Promises.....2
- NewCo Strategy Revealed.....3
- The Right Place, Right Now.....4
- And more!

## Provisioning Leverages Home-grown Creativity to Benefit Customers

**F**riday, September 24, 3:20 p.m. CDT: Quiet settled over the semi-regular rows of south Braker I. The silence broke occasionally with the crack of a wayward shelf or file cabinet detaching from its cubicle wall. Movers wheeled pallets of office furnishings along carpeted corridors. Metal conference room chairs were stacked neatly in hallways and everywhere there were mountains of packing cartons.

Every few yards, hanks of cabling hung suspended from the ceiling where acoustic tiles had been shoved aside. The color-coded wires resembled mammoth arteries and veins. But LAN and phone lines are more akin to the nervous system of a business. The real circulatory system in a communications company is its process for provisioning customer orders. The upheaval in IXC's physical quarters on a Friday afternoon mirrors the company's intent to unclog provisioning, free up backlog and earn a reputation for high quality service.

The urgency of improving provisioning can't be overstated.

"The new company (NewCo) we're creating with Cincinnati Bell has only one shot at making a first impression," says **Dave Hughart**, president, Sales.

"The telecommunications landscape is awash in broken promises and cynical customers. NewCo's most significant point of differentiation can be its ability to set realistic expectations and deliver on its commitments to customers."

There are four main tactics. First, the Ordering, Provisioning and Test & Acceptance staffs — now to be known simply as Customer Provisioning — have introduced a new order flow, one that aligns self-directed teams with specific customers, channels and geographic regions. The teams own their orders — and the customers they represent — from sale to billing entry, enhancing their rapport with account personnel and increasing ownership and accountability for order completion. This mirrors similar changes in Customer Care (see page 2). The weekend space makeover puts members of each dedicated provisioning team in close proximity to one another.

Second, a newly formed Data Management group is automating order entry from field sales, integrating the system with the credit function, and putting checks into the billing system so that completed orders and billing can be confirmed against sales reports. Switched services provisioning goes online in mid-October with SAS, software adapted from systems used by Cincinnati Bell Long Distance (CBLD). Dedicated services provisioning will be automated by the first of the year; until then, all orders will be audited manually.

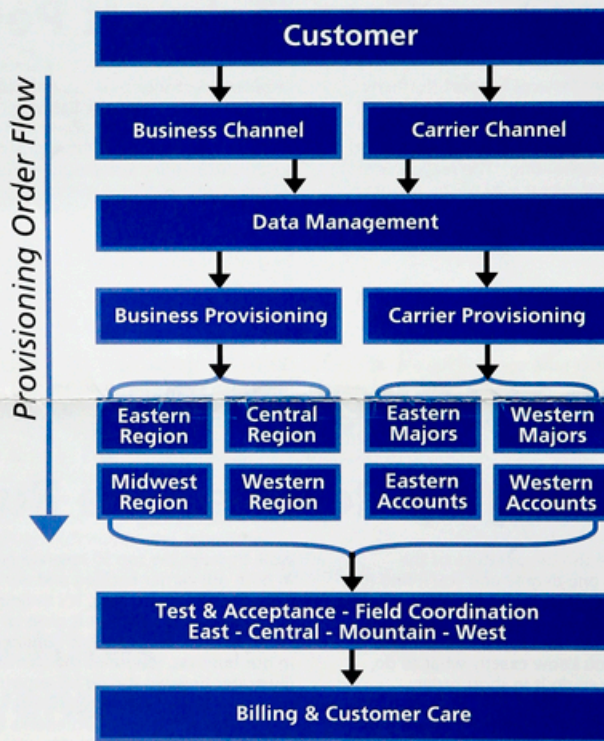
Third, realistic intervals keyed to customer satisfaction — and

incentives tied to those intervals — have been established for each product line. An interval is the period from the time the sale is made through test and acceptance of the service, when billing can begin.

Fourth, three cross-discipline "clean up" teams have swung into action. One will burn down past due backlog, thereby breaking the cycle of backlog

standard interval document is one of the best ways to improve communications with customers. "I'm able to set realistic expectations for my customers, which results in an ability to keep promises, build trust and strengthen their commitment to us."

**Monday, September 27, 8:45 a.m.:** Provisioning employees unpacked their cartons in pods — space newly



pushing future orders back, too. The X Files team will clear 500 business channel files; The Terminators will tackle more than 800. A third team will restore integrity to data in the dedicated order queue and CSSI.

"The team has taken what was a linear process and turned it into a customer-focused and performance-driven model," says **Maxine Moreau**, vice president, Customer Operations.

Says **Rich Houk**, manager, West Majors (Carrier), "This arrangement gives the customer a single point of contact, plus the feeling that there's a team behind him, instead of an assembly line or random process."

Under the old system, there was little accountability. It was as though the process itself was "responsible." According to **Doug Bradt**, manager, East Accounts (Carrier), dedicated ownership of orders not only will lead to improved rapport with customers, but also to greater job satisfaction. "Give someone end-to-end responsibility for completing something, and when it happens, there's a great sense of accomplishment."

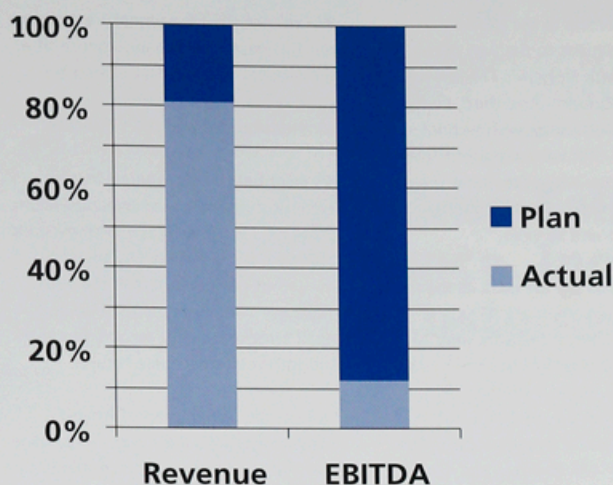
Senior Account Exec **Debbie Sangster**, who works with Bell Atlantic, feels the

configured for self-directed work teams. Self-directed means the teams have the authority and accountability to get the job done on behalf of their customers. Sales support reps from each channel on loan to the backlog clean-up teams picked their way through the labyrinth of cubicles to the "war rooms" they and selected members of the Provisioning staff will call home for the next 90 days. The Facilities staff, unsung heroes of every change in physical layout, trotted from pod to pod, trouble shooting everything from alpha to zed.

**Nick Gibson**, director, Test & Acceptance, sees beyond the organized chaos to the big picture. "Our customers are going to feel the focus that comes from a dedicated team," says Nick, "and that will enhance our reputation in the marketplace, with our partners and on Wall Street."



## 1st Quarter 1999 Performance



To achieve our annual plan, we must:

- Achieve sales objectives
- Increase data business
- Reduce SG&A
- Achieve provisioning and billing efficiencies through Project Cornerstone

Not only does attainment of goals by mid-month pull revenue into the stream faster, it spreads order entry and provisioning more evenly over the course of a month.

## Mid-Month Mania Compounds Retail Sales

As any student of compound interest can tell you, revenue on the books in the first half of a month is worth more — long term — than revenue attained in the second half of the month.

Now, Eclipse sales reps who attain monthly quota by mid-month are worth a little more, too, thanks to formation of the "Mid-Month Mania Club," which awards gift certificates to reps who reach their objectives early. And, the more often they land in the Club — enhancing IXC's revenue run rate (the amount billed monthly) — the bigger the gift certificates grow.

"The Club is only two months old, but we're already seeing a couple of trends," says Layne Levine, vice

president, Retail Sales. "Members tend to be our most professional sales personnel, and they are selling a higher percentage of integrated access, dedicated voice, data and Internet services than the norm."

*Value added:* Not only does attainment of objectives by mid-month pull revenue into the stream faster, it also spreads order entry and provisioning more evenly over the course of a month, thereby enhancing the quality of agreements processed.

*May 1999 Mid-Month Mania Club Members:* Bill Sullivan, Las Vegas; Brian French, Affinity; Carl Taylor, Los Angeles; Darren Rowe, Affinity (the first two-time winner!); David Silvey,

Springfield; Henry Lee, New York; Joe Johnson, Los Angeles; John Danchak, New York; Jill Carlson, Houston II; Michelle Ashby, Baton Rouge/New Orleans; Patrick Xiqves, New York; Scott Ireland, Hampton Roads; Steve Ricks, Chicago; Shannon Bergman, Affinity; Tracey Richards, New York; and Victoria Danczek, Affinity.

*April 1999 Mid-Month Mania Club Members:* Ann Rosel, Affinity; Darren Rowe, Affinity; Kirk Bertis, Baton Rouge/New Orleans; Kurtis Lee, Baton Rouge/New Orleans.

For more information, contact Janet Moore, [jamoore@ixc-comm.com](mailto:jamoore@ixc-comm.com) or 757-873-1040, x158.

## Pacific Rim Quality Exceeds Expectations

Do you take for granted when you pick up the phone that your call will be connected at the other end? Call completion — particularly to Pacific Rim countries — is not always a given.

"If attempted calls are not completed we've missed an opportunity to capture revenue," says Tom O'Neill, senior manager, International Division.

"Without call completion we also risk potential loss of customers," he adds.

Most phones in the U.S. have call answering devices such as voice mail, call forwarding or answering machines. These devices result in call completion percentages of about 75 percent. This is not the case in all countries. Some have expected or benchmark call completions in the 20 percent range and even lower.

Routing calls to most foreign countries requires handing off the call to vendors

for completion. "Clearly, the recruitment of effective vendors, as well as the effective use of existing vendors, is critical to improving our completion percentages and overall quality overseas," Tom says. In addition to vendors, a good portion of Mexico calls are routed to our MarCaTel partners in Mexico and to Storm Telecommunications for completion to several countries worldwide. Improving call completion percentages to the United Kingdom, Mexico and Canada is a priority in addition to Pacific Rim countries.

Several groups within IXC work to maximize our return on international voice traffic. On a daily basis, these include Customer Care, NMC Maintenance, Network Planning and International. IXC compares benchmark completion percentages to performance of each vendor to each country daily. Non-performing vendors are removed from routing or trouble tickets are

opened with the vendor, or both. Using this approach has several key benefits: it improves IXC's completion percentages and keeps vendors from routing IXC traffic to low-quality route choices. In addition, it allows us to maintain the confidence of our customers since we immediately correct problems with quality.

For more information, contact Tom O'Neill at [toneill@ixc-comm.com](mailto:toneill@ixc-comm.com) or 512-231-5191.



## Why NewCo Is the Right Place to Be for Opportunity, Ownership

**A**s creation of a new company draws nearer, all indications point to the prospect of an increasingly rewarding future.

Why is this the right place to be? By offering end-to-end solutions, the new enterprise will be positioned to earn market share, resulting in the emergence of a growth company with limitless upside potential. Career opportunities are expected to expand in all fields and at all levels of the organization.



IXC's network, technical expertise, small and mid-sized business focus and data and Internet competencies are the heart of the new business. We're about to become a \$1.7 billion revenue enterprise — number 757 on the *Fortune* 1000 — with a market capitalization of \$7.2 billion.

"NewCo's" 2000 revenue goal is \$2.1 billion. All of which points to why this is the right place to be.

**In an unprecedented vote of confidence in the future subsidiary's ability to enhance the overall company's value, the Cincinnati Bell board of directors has approved a charter grant of 400 NewCo common stock options to each IXC employee upon closing. This "charter grant" of shares vests 100 percent on January 3, 2002.**

IXC's own board of directors in early October will approve an employee bonus plan for 1999 that will be based on aggressive but achievable fourth-quarter goals, including revenue, EBITDA and departmental goals for the months of October, November and December. Bonuses will be paid to

IXC employees of NewCo in March 2000.

**And don't forget the value accruing in these benefits:**

- **1998 IXC Ownership Program** — actively employed participants can exercise 25 percent of their options as of October 7, 1999. In years to come, participants will continue to reap value from this benefit.

- **Profit Sharing** — eligible employees actively employed as of December 31, 1999 will see a contribution equal to six percent of their 1999 base salaries reflected in their 401(k) accounts in March 2000.

- **Recognition event in Scottsdale, Arizona** — 50 employees representing all 1999 IXC divisions will join 150 of their Cincinnati Bell peers, to be recognized for outstanding performance in April 2000.

- **1999 IXC Ownership Program** — actively employed participants can exercise 25 percent of their options on July 6, 2000. Again, as we hit our stride, this benefit can appreciate.

So, from an ownership standpoint, this is the right place to be.

## Karen Hanson Prevents Revenue Loss of \$850,000

**I**n the course of keeping IXC on track with government agency regulations and processing fees, **Karen Hanson**, compliance specialist, discovered a way to prevent nearly \$850,000 in lost annual revenue.

"Karen was instrumental in ensuring our billing system picked up universal service fees (USFs) and passed them on to end users," says **Larry Barnes**, director, Regulatory Affairs. Larry describes Karen as "quietly tenacious" in the performance of her job.

Karen says she was conducting research and preparing filings when she noticed that no universal service fees had been collected or funds remitted in Texas. "We're expected to pay whether we

collect from customers or not," she says, adding that \$5 million per year is a conservative estimate in the amount of monthly fees recovered from customers.

"The accurate collection of taxes and regulatory fees from customers also reduces our chances of being penalized." Karen says due to a scheduled increase in the Texas USF effective Sept. 1, the loss would have quadrupled IXC's expense had it not been caught.

Larry says victories of this nature are becoming more prevalent throughout the company. "I've sensed renewed energy and a new resolve at IXC to solve problems. There's a greater

willingness to really focus on addressing issues than we've seen in awhile."

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## CallVision Gives Customers Info They Need; Linked to Retention

**T**he recent introduction of CallVision to Eclipse customers is expected to contribute to retaining \$3 million in revenue in the next year. The much-anticipated software package has been in high demand by the Eclipse sales force for some time.

Users of the call analysis software demonstrate a higher retention rate, in part because it greatly enhances customers' ability to manage and track their telecommunications costs. Functions include the ability to generate detailed custom reports, graphs and maps that:



- evaluate the effectiveness of sales and marketing programs
- manage departmental or cost center reporting
- evaluate call patterns and telesales performance and efficiency
- allocate expenses and re-bill clients
- reveal abuse or third-party fraud.

Contact **Porter Grant**, product manager, Business Markets, at 512-231-5180 or [pgrant@ixc-comm.com](mailto:pgrant@ixc-comm.com) for more information.