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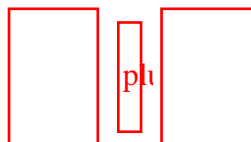
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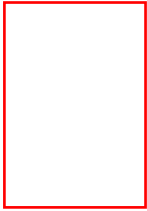
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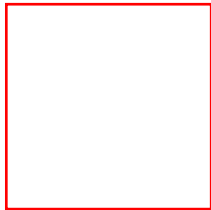


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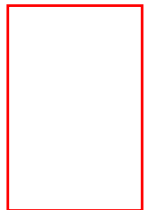
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## Editorial Reviews

### From Publishers Weekly

By all accounts, Lucent should not have succeeded when it split off from AT&T in 1995. The "dreary equipment business" was saddled with several unprofitable operations, and most of the executive leadership would rather have been someplace else. They didn't even like the name or the new logo. Yet in a few years, the telecommunications company was not just the sixth-largest corporation in America but the world's most widely held stock—and then just as quickly, it was reduced to barely one-hundredth of its peak value. What happened? Endlich (*Goldman, Sachs: The Culture of Success*) is careful to distinguish Lucent's collapse from the illegal activities that took place at Enron, Tyco and other companies in the late 1990s, explaining that the firm's accounting tactics were "legal and defensible but inadvisable." She also demonstrates that the warning signs were visible early, from an excessive growth in receivables to a series of risky loans to other telecom companies. She focuses almost exclusively on Lucent's internal drama, documenting the company's failure to live up to the reputation for innovation set by Bell Labs and the unresolved tensions among top brass that compounded early financial difficulties. Though lacking in juicy scandal, this straightforward account holds its own against other recent tales of corporate downfall.

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### Product Description:

When Lucent Technologies was spun off from AT&T in 1996, the new company was full of promise. An old-line manufacturer, it quickly became a sizzling hot stock thanks to the emergence of the Internet and the build-up of telecommunications. The stock market was soaring, and Lucent flew with it. Within a few short years it became the sixth-largest corporation in America and the most widely held stock in the country. Yet only months later, Lucent was gasping for life, victim of the greatest stock-market bubble in history.

*Optical Illusions* is the story of a financially sound company steeped in world-class talent, dominant in one of the fastest-growing industries, that in the space of two years found itself downgraded to a junk-bond credit rating, under investigation by the SEC for its accounting practices, the value of its stock reduced to the price of a cup of coffee. Lisa Endlich tells the fascinating tale of the company that epitomized the misfortunes of the telecom industry, leaving investors and employees shocked and confused.

In writing this book Endlich had access to more than a hundred people who played a role in the drama, as well as previously sealed courtroom documents. She explains how the conflicting styles of CEOs Henry Schacht and Rich McGinn contributed to Lucent's woes, and she shows how the loss of skilled executives such as Carly Fiorina hurt the company at a crucial moment. When it was all over, Schacht -- Lucent's first CEO, who was later brought back to right the listing ship -- acknowledged that Lucent had allowed itself to be swept up in the market mania, distorting its corporate values in the process.

Although the stock-market mania of the late 1990s is remembered as "the Internet craze" or "the dot-com madness," as *Optical*

*Illusions* shows, the damage was more widespread and lasting. In fighting for its survival, Lucent laid off more than 70 percent of its employees, wrecking retirees' savings and investors' portfolios alike.

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**More "Crash of Lucent" than of telecom**, November 3, 2004

Reviewer: [vtec daddy](#) (Santa Clarita, CA, US) - [See all my reviews](#)

The title tells it all, this book is more about the crash of Lucent than the telecom industry as a whole though understanding the fall of one of the largest enablers of that speculative period will illuminate what should have been the obvious weakness of rest of the industry. Probably the ultimate book surrounding the whole speculative bubble surrounding the drab telecommunications industry's day in the sun may never be written, so this book will on the rise and fall of Lucent and their place in it may well be it. If it is, it is well researched and decently explains a vital but little understood business. The author's observations on the key players and their relationships to each other are well placed especially where Carly Fiorina is concerned. There is no doubt that she was probably their most capable manager but not even she would have been able to dig them out of the hole created by Lucent's inexperienced CEO, Rich McGinn, dug them into; her exit to Hewlett-Packard couldn't have been better timed.

Lucent's major failures are documented here with balance and fairness. About the right amount of ink is used in explaining the techno-babble surrounding the importance of the market for the OC192 optical switch, enough so the layman can understand it and complex enough so a telecom engineer won't get too bored. She also notes with great accuracy Lucent's inability to integrate acquired businesses and align their strategies with their own, a weakness inherited from parent AT&T. These and other failings ultimately tell a business horror story of what happens when companies ignore their core values and steadily growing a business but instead take direction instead from the stock analysts whose only concern was "meeting the whisper numbers" and quick profits. In addition to their private financing of nearly insolvent customers, the author probably could have gone a little further into the other messy misdeeds that were uncovered as Lucent's stock fell, such as the private golf course that Lucent was revealed to be building at the time of the collapse. Perhaps their envelope pushing accounting tactics were not as extreme as Enron or Tyco but she well documents how their financial tactics jumped back and forth across that bright ethical line. Probably the only real flaw in the book is this failure to apply perspective to the excessive influence industry stock analysts exercised on the telecom industry during the period 1995 through 2002. For example she accepts the unanimous praise within the industry analyst community for the Agere spinoff as the hidden jewel within Lucent while stressing also how badly it needed to dump its Business Communications System unit now known as Avaya. There is a missed opportunity to note that this historically denigrated business unit which spent its much of its life within Lucent, and before than in AT&T, as the scapegoat and ugliest poster child of the "unsexy" telecom equipment business, is today one of the few businesses successfully challenging and succeeding against Cisco which is what Lucent aspired to be but never succeeded at. There is also a missed opportunity to examine the outsized and corrupting influence these analysts had on American business as a whole during that time, but that is another story...

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**Lucent/Bell Labs: "Round the decay Of that colossal wreck.."**, October 18, 2004

Reviewer: [P. Chrzanowski](#) (Chicago IL USA) - [See all my reviews](#)

(REAL)

With apologies to Percy Bysshe Shelley, the near-collapse of this icon of American industry and innovation sorely needs to be explained.

Overall this is a good if conventional business-analysis book. As with most such books, its focus is on the strengths and weaknesses of the personalities in top management (and to a lesser extent, their relationship with the company's board of directors, and the financial industry and press).

In the author's opinion, Lucent might have survived in spite of its weaknesses had there not been a crash in the overall market for telecommunications equipment. The author's explanation for that crash is a story of overinvestment and market saturation- there simply wasn't (in the short run, at least) anywhere near enough end-user demand for all the capacity that the network operators

were buying.

While I agree with this analysis, a weakness of this book is the author's lack of explanation as to how the leaders of this industry could have failed to realize that a market in which the cost of equipment purchases by service providers was growing far more rapidly than service providers' own revenues had to be unsustainable, and must come to an abrupt end.

Something that will annoy some readers is the author's use of, and failure to fully explain, industry acronyms and jargon (for example, explaining that "ATM" means "asynchronous transfer mode" doesn't exactly tell you what it means, should you not already know). There could also have been more explanation of the effect of the 1996 Telecom Act, particularly as it favored those new local-exchange competitors who chose to lease existing network elements from the Bell Operating Companies over those that invested in and build their own parallel/alternative networks.

Overall this book presents a strong narrative, is well written, concise, and generally avoids the platitude-blather that infects all too many business books. It could, however, have done a better job of explaining just how the industry could have jammed the accelerator to the floor, apparently oblivious of the cliff waiting just around the bend.

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