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Coming to the Rescue Of a Computer Venture

By ANDREW POLLACK

In offering $6 billion for the NCR Corporation, the American Telephone and Telegraph Company is finally acknowledging that it cannot succeed in the computer business on its own, analysts say.

The proposed purchase of NCR, which has about $6 billion in revenues, could be viewed as a bold move by A.T.& T. to quintuple the size of its computer business and in one fell swoop achieve critical mass.

But some analysts view it instead as a way for A.T.& T. to surrender quietly. A.T.& T. officials said today that their plan was to hand over A.T.& T.'s computer business to NCR to be run by NCR management from NCR headquarters in Dayton, Ohio. Layoffs and other cost-reducing measures to eliminate redudancies, would probably come from the A.T.& T. side.

"In a sense you can consider this a reverse acquisition," said Jack Grubman, an analyst who follows A.T.& T. for Paine Webber. "A.T.& T. is getting out of the computer business by a $6 billion acquisition of NCR."

Peter Labe of Labe, Simpson & Company agreed. "It's one way to get out of the computer business gracefully, on a positive note," he said.

A.T.& T. officials dismiss this view, saying the company is reaffirming its presence in the industry. And some of the talk about allowing NCR executives to manage could be meant to reduce NCR's opposition to the deal. But A.T& T. managers do acknowledge that their computer business was unlikely to grow sufficiently and achieve profitability on its own.

A.T.& T., whose Bell Laboratories invented the transistor that spawned the computer revolution, once was expected to battle the International Business Machines Corporation for world supremacy in computers. The 1984 divestiture of its local telephone companies was, in a sense, the price A.T.& T. paid for a chance to compete in what it expected would be the far more lucrative computer business. Indeed, an A.T.& T. official promised to "redefine the industry" when the company entered the computer market that year.

But the story since then has been one of missteps and dashed expectations. Numerous times A.T.& T. management has acknowledged past mistakes and announced that finally the business was ready to roll. But each so-called turnaround proved illusory.

In the last two years, under a new manager, Robert M. Kavner, a former accountant, A.T.& T.'s computer business has seemed to make progress. The company has landed some big contracts from the Government and corporations, including American Airlines and Firestone.

The company's computer revenues are about $1.5 billion this year, up from $900 million in 1986, butthe promised move to profitability has not occurred.

The company could have a pretax loss of $300 million in computers this year, according to Mr. Grubman, the Paine Webber analyst. That is not as so bad as the nearly $1 billion loss several years ago, but it was enough to lead A.T.& T. executives to conclude they needed an acquisition.

Whether buying NCR will solve A.T.& T's problems is hard to tell. Merging two computer companies is always difficult, as has been shown in Hewlett-Packard's purchase of Apollo and the merging of Burroughs and Sperry to form Unisys.

But in this case analysts agree with A.T.& T. officials that transitional problems might be minimized because both companies base their product lines on the Intel Corporation's microprocessors and the Unix software developed by A.T.& T.. Both companies also have conservative corporate cultures. And NCR is strong in businesses like electronic cash registers and automated teller machines that rely on communications among computers, appealing to A.T.& T.'s strength. Established Companies

NCR, like AT.& T., is an established old-line company. a manufacturer of mainframes and minicomputers. NCR, while not growing rapidly, has successfully made the transition to smaller desktop computers and is profitable, unlike many of its competitors.

"They are one of the few old-world companies that is pivoting," said George Colony, president of Forrester Research, a market research firm in Cambridge, Mass.

Part of A.T.& T.'s problem has been that, despite its technological strength, it has not brought much new to the computer business. The company already had more than $30 billion in revenues from its long-distance business, and it wanted its computer business to generate several billion dollars in revenue, at least. As a result, it has tended to enter larger, established markets, which have entrenched competition, rather than pioneer new, smaller markets where the growth is.

A.T.& T. entered the computer business with large minicomputers, just as the industry was shifting to smaller desktop models. Worse, the A.T.& T. 3B minicomputers, having been designed primarily for use in telephone switches, were not well received.

The company hoped its expertise in communications would help, as big corporations set up worldwide networks of computers that would send information to one another. A supermarket's electronic cash registers, for instance, can count the items being sold and instantly reorder by sending a message to the warehouse computer over the telephone lines.

Such a convergence still drives A.T.& T.'s vision, but it is not occurring nearly so fast as A.T.&. T. and others expected. I.B.M., also foreseeing this convergence, made several forays into telecommunications, but has been as unsuccessful in A.T.& T.'s business as the telecommunications giant has been in I.B.M.'s.

A.T.& T. did develop the Unix operating system, a basic system of commands for controlling computers that is suddenly becoming very popular because it is an "open" standard that is offered by many computer companies. But that very reason for its success prevents Unix from giving A.T.& T. a competitive advantage for its own computers. Problem of Adjustment

Part of A.T.& T.'s problem has also been cultural. After decades as a regulated utility, it had trouble adjusting to the fast-moving, competitive computer industry.

The company tried to overcome its weaknesses by corporate alliances that never lived up to their promises. It bought a stake in Olivetti, which supplied A.T.& T. with personal computers that were too expensive. It bought machines from Convergent Technologies but could not sell them.

It allied with Sun Microsystems, the fast-growing maker of work stations but had clashes with the Silicon Valley company. While A.T.& T. still has a stake in Sun, the two companies went their separate ways strategically when A.T.& T. decided to base its computers on Intel's chips rather than on Sun's Sparc microprocessor.

A.T.& T. has also considered outright acquisitions of companies including Digital Equipment and Electronic Data Systems but never before got as far as a publicly announced offer.