

Ideas that have built Tektronix:

No. 4: DON ALVEY

(Believing that Tektronix owes its stature not only to its research, productive and engineering skills but also to the unique and vigorous personalities of its leaders, Tek Talk has undertaken a search to learn just what some of these people believe.

This is the fourth in a series of interviews. Don Alvey was appointed last summer as general manager of Tektronix European operations.)

The European Common Market seems to be booming. Why is this?

We don't really know. We do know people are constantly developing their own electronics and allied industries. Why the order rate has so greatly increased the last two or three months, we can't say—until we study the trend in more detail.

The United Kingdom is contributing significantly to the activity in ECM. This activity is in no single area—say nuclear research or testing—but is all over the place.

What are our greatest competitive strengths in the international field?

First, our reputation is good, both for the instruments we produce and the customer support we offer.

Secondly, our ability to deliver is very important. We can deliver faster than our competitors. Also, we're technically ahead of them.

Too, our strength lies in being prepared to invest money with courage in long-term engineering and research programs. Lots of people in other firms say they wish their companies would put as much into research and engineering effort. Other firms have tended to be late, to follow up afterward....

If we keep what we have, we'll stay ahead.

Do we have any weaknesses, present or potential, in our overseas operations?

I don't know if it's a weakness, but one thing that could be very important is this: We must guard against ignoring

any range of instrumentation in the oscilloscope field that lets competitors establish equality of reputation, even in a limited area.

Our biggest potential problem is probably scope manufacturing in the United Kingdom. More manufacturers are at work there, and their technical development is higher than in other countries. They have a more limited product line and more limited engineering facilities than we, however.

We have an edge, having started first and recognized the market sooner.

My belief is that we can feel safe for about 10 years, catalog-wide. But in individual instruments, some competitors are breathing down our necks.

How would Britain's entering the Common Market affect Guernsey?

If Britain joins, we think Guernsey will follow immediately. This will give us an added convenience, because Guernsey products will then be acceptable without import duty in both ECM and the European Free Trade area.

Would our Guernsey and Heerenveen plants then serve the same market?

They could, yes. Maybe we would split our product line: In the long term, probably we would tend to introduce new instruments in Heerenveen, where we will have more support functions and a bigger technical team.

What have been our biggest hurdles in setting up overseas?

Surprises. I'd say surprises cause us the most grief.

Like when, after what we consider thorough research into working conditions and economic conditions, new things come to light and we have to adjust our program....

Building costs are a good example. We ran into more costs in Holland than we'd figured. We'll do our second phase of building differently—more bidding time, for one thing.

(continued on next page)



DON ALVEY

What's our history of overseas growth?

At first we had a branch operation on Guernsey, assembly only—assembling wired chassis from Beaverton. Then we began to work from kits of parts, later from parts not in kits. Now we purchase some of our parts in Britain, and finish semifinished parts from Beaverton.

At present we manufacture seven scopes and all the Tek letter-series amplifying plug-ins.

Our plant became Tektronix Guernsey Ltd. when we formed Tekintag, which fully owns the Guernsey and Heerenveen operations and in turn is fully owned by Tektronix, Inc.

We chose Switzerland as Tekintag headquarters. Why? Everyone has a different reason. One is that Switzerland is a good financial center, allowing free transfer of money or its reinvestment in subsidiaries.

It's advantageous to have both our European manufacturing operations owned in Switzerland. In case of nationalization programs, national emergencies and so on, a country generally leaves property alone that's owned by a neutral nation—or, at least, the compensation is better.

We have 12 people in Zug, most of them engaged in order processing.

Right now, the Marketing group there coordinates the work of our engineering representatives, provides information services and accepts orders. It determines whether to produce the instruments in Guernsey and Heerenveen, or order from Beaverton.

We had two field engineers; one has recently moved to head Customer Service on Guernsey. To give more support to our distributors, we will have more field engineers. Three now are training on Guernsey.

What effect will adding field engineers have on our distributors?

It should give them more technical support. The FEs will make more customer contacts, so the distributor can see how we handle service problems. We also will get better customer feedback this way.

Will our staff at Zug become much larger?

It will always be relatively small. Even if it were to double, it would still be small.

Marketing and Planning could double in size. Marketing now has two men and three girls. Planning is one man, with a secretary.

Our Planning coordinates European development plans with Domestic Planning

and with Hawkin Au's Company Planning group. Both short and long-term problems are constantly reviewed.

We serve 17 distributors from Zug. Our representatives in Britain, Germany, France, Italy and Sweden account for about 70 per cent of Tekintag business.

How many people are on Guernsey now?

Something over 200. We can see several hundred more someday.

Bob Gwynn, an Englishman—a Guernsey resident before World War II and with Tek since 1959—is now in charge of that plant.

We have only one American now on Guernsey: Dave Spinks. In addition to Dave, we have visits from folks like Gordon Sloat, Earl Scott and Bob Davis, who come over to help us get new operations underway and to discuss special problems.

Why did we pick Holland as a plant site?

The tangibles and the intangibles are all mixed up. One factor was governmental relations. Another was labor supply. Another was that in some countries we simply would not have been welcome.

We like to feel Heerenveen will grow at the rate of 250 a year. We hope to have about 40 Tek Holland employees when we begin operations early in May. Our plans are to have just an assembly area then. Later we plan a shop, metal finishing and some component manufacturing.

Earl Wantland is setting up the Heerenveen plant. We'll start with assembling the 545 and the K, L and CA plug-ins. We won't need to do more than this for the first year, while we catch up with the demand. Then we'll add the 535 near the end of the year.

If we meet no serious obstacles, we plan to go as fast as possible toward being a self-sufficient operation.

We keep our Beaverton imports in a customs-bonded warehouse in Heerenveen, and so long as those goods are not sold in Holland, there is no Dutch import duty. When we sell them into another nation, duty is charged from the US and not from Holland.

In Tektronix Holland we have 15 persons—largely key people, hired six months ago and trained in parallel functions in Guernsey.

What special marketing problems do we face?

Building and machinery costs are higher overseas—sometimes higher than the same equipment imported into the United States would cost a US buyer. Sales tax is the reason.

Italy has the highest import duty, the United Kingdom next (when we have to pay it), then France. The lowest is in Switzerland, where they tax imports by weight.

In the United Kingdom, interestingly, a 535 or 545 is cheaper than a 531 would be, because with a CA unit the '35 and '45 have no competition in Britain. A 531, because it competes with a British instrument, must pay a high import tax.

This is important, I think:

We get a lot of our overseas business simply because we're willing to put up with all the complications and work it involves, to make life simpler for the customer in dealing with a "foreign" supplier...

What is Tekintag's relationship to Tektronix Canada Ltd.?

None. Tek Canada is financially and operationally connected to our US activity. However, since Canada is a member of the Commonwealth, we may have a strong incentive to supply them from Guernsey someday. Guernsey will need to expand quite a bit before this can be considered.

We can say this move is "likely". Guernsey's output capacity would need to be at least twice what it is now, however.

What is your own history with Tektronix?

I went through training in Marketing in 1958. I was to become a field engineer in New York, but I overflew it and became our second field engineer in Europe. About a year ago I was put in charge of our expanding European operations.

I'm in Portland to confer with Bob Davis and with Marketing on specific problems such as pricing—how price changes here relate to price changes there. Establishing an international pricing policy, essentially. Tekintag is now such a major factor in our whole operation, we are reviewing all aspects of communications and coordination.

And we're discussing our building program abroad—the timing and the cost—with Ladd Goodman and the company architect on details, and with Bob on the major plan.

What is your own job responsibility?

I'm responsible for the development and profitable growth of our facilities for marketing and manufacturing in Europe, to handle the requirements of customers in Europe and continental Africa (the Union of South Africa, an interesting market for the size of the country). There is a growing demand for electronic instruments, due to growth of universities, radio and television.

How strong is your tie-in with Engineering in Beaverton?

Not strong, generally speaking. Our contact is through Ladd or Scotty Pyle, but other channels probably will be developed during my visit here. This is an area where we now feel we can improve.

How is our recruiting effort going overseas?

In Guernsey, we've exhausted the local supply of technical personnel, and are recruiting on the English mainland. There are no hard feelings about it on Guernsey; people realize we need this technical help.

In Heerenveen, our first recruiting hurdle was: How to educate ourselves to judge and assess people in an environment and social atmosphere new to us?

Because of our lack of ability, we employed a professional recruiting agency. First, we defined what we felt was required, recalling Tek history, describing our hiring approach in the US and what effect it has had on the company.

We stressed Tektronix' cooperative atmosphere and its removal of social strata.

Did this informal approach go over in their formal society?

At first the Dutch were suspicious; it seemed our approach wouldn't be adopted.

BUSY MEETING schedule occupied Don Alvey day and night when our European manager visited Portland in January and February. Here he discusses overseas production requirements at the domestic managers' Tuesday night planning meeting. (Pictured, from left): Mike Park, Instrument Manufacturing; Frank Kopra (back to camera), Domestic Quality Assurance; Jack Hornor, Planning; Don; General Manager Bob Fitzgerald, and Bob Moore, Human Relations.

But after some of the first people we hired had been in training on Guernsey for some months, they came to feel it would work. If we are patient, we think it will come.

The first-name basis, incidentally, is not normal in the business atmosphere of Holland.

Profit share is almost entirely new in Holland—on anything like our scale, although some smaller bonus plans do exist.

Do you notice any apprehension among domestic industry in Heerenveen?

There is no resentment at all, although probably some suspicion. We are the unknown. Dutch companies may suspect "gimmicks," like new hiring practices and so on.

Our big problem is technical people. We'll have few in Heerenveen at this stage. They are being hired from outside the area.

There's no competition for technical employees from what you'd call a local major industry. Our biggest single competitor is the Phillips Norelco shaver factory at Drachten, a nearby city.

We look forward to a higher male-to-female ratio than in the US. This is because of local custom: Women don't work; when they marry, they quit their jobs. It's less true of Guernsey.

Shift work also is a new concept. And work hours in manufacturing are controlled: 45 hours a week.

Do you feel the Tektronix philosophy plays a big role in your hiring approach?

Yes. We're emphasizing it heavily at the beginning, so our initial crew will help us from then on.

If the first guys we hire aren't with it, where the heck do we go from there?

How are our public relations in Heerenveen?

Excellent.

In our negotiations with the Dutch, in the way we treat people, in the way we relate to official bodies—we've been there a year and we haven't shown any different face to them than we showed at first.

I think the people there are coming to believe we're really true...

