



For the future

New products are where the action is

Earl Wantland President

I'd like to talk about the Tektronix Statement of Corporate Intent.

The Statement of Corporate Intent is really a series of statements about what we want Tektronix to be. We need to think of each statement as part of the whole. Together they describe a holistic organization with vitality and real substance.

My goals and objectives for the company are to be able to fully realize the Statement of Corporate Intent. Everything we do should add value to something.

When we meet those objectives not only will we have added value to the economic system, we will have more pride in ourselves, and our customers will respect us even more than they do now.

The Statement of Corporate Intent says:

To provide unmatched value in the products and service we offer customers.

We have many new products that are first or second in what's available in the world today. They are real examples of value to the customer.

We have a service organization supporting us that virtually covers all of the free world and ensures customers the use of their products at all times, no matter where they are.

Within the divisionalized organization each group of people pays special attention to a special group of customers. The customers know that there are specific people here looking after them. The customer can contact them if there are any difficulties, or if they want to discuss future requirements.

Divisionalization was aimed at better satisfaction of our customers. That adds value to the system.

The Emmy award that TV Products received is another example of unmatched value. That award says we have served the television industry with superb products and measurement capability and signal quality verification for a long time. We earned that recognition.

The quality of the signal that arrives at your television set has, in most cases, been corrected and insured by Tektronix products.

On a worldwide scale we are viewed as the major supplier in Logic Analyzers. The quality of those products is superb.

The 4404 is another exciting example. Research and Development Labs in Applied Research worked with a group in Wilsonville in the low-cost terminal area. They chose to use the mechanical structure and much of the design of the 4105. The product worked so well that within a year after conception it was on the market and we were addressing a brand new area in artificial intelligence.

Because of the conceptual design and the fact they had picked a low-cost mechanical vehicle that was already here at Tek they were able to bring the product out at roughly half the price of other companies who were specializing in that area.

We have many examples of products and services that are, according to our customers, the best available anywhere. If we could achieve that uniformly in all of our products and product lines, we would really be a great company.

To recognize the one limitless resource: the individual and collective potential of the human being.

To provide employees with maximum opportunity to exceed their own expectations.

In a macro sense you could measure the impact of human resources in terms of sales per employee or value added per employee. Both are increasing.

Profit share is up several points from last year. That was achieved by people doing more productive, highly focused, and more effective work.

There are other dimensions of the human resources efforts here.

When we first started implementing the MRP program there was a wave of anxiety that went through the company. But people pulled together and now we have 15 plants that are certified Class A MRP. I don't think there is another company in the United States that has that many plants certified. That's a tremendous achievement.

We have a policy and operating practice that goes as far as possible to assure continuity of employment for people.



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If there are excess people in one part of the company, in any job category, there will be a hiring freeze from outside. There is full access to all the excess people in those categories until the balancing takes place. It is management's responsibility to make sure it happens.

The other aspect of this part of the statement is the development of people.

There are more than 4000 people at Tektronix actively learning in formal programs. About 1500 are actually working toward advanced or undergraduate degrees. That is a lot of people who are taking it upon themselves to expand their learning and to prepare for the future.

Additionally, our on-the-job training under the divisionalized structure has been more intense than in the past. The learning that is taking place starting with division management and their staff down through the organization is phenomenal.

In the Components areas they are converting to actual business-like organizations. They're beginning to learn, in a full sense, what business is all about.

The Area Rep activity is a tremendous vehicle for people to learn at Tektronix. The 40 minutes a month is a very small percentage of total time. If it's used to learn over a period of years you can accumulate a lot of useful knowledge about the company.

We have a new development program for mid-level managers called the Manager of Managers Program. I believe it's pretty close to the state of the art in real people development programs and we're all very proud of that.

To achieve continued improvement in the use of company resources.

Class A MRP applies to this perspective. It represents a better utilization of inventories and resources. We've learned a lot about changes and what can occur if you don't plan things properly and keep them in control as you go along.

Sales per employee increased last year roughly 22 per cent. Our cost of manufacturing, as a percentage of sales, dropped almost 2 percentage points, and our inventory turnover was improved almost 40 per cent.

Again, it was things like MRP and Just-in-Time manufacturing techniques which brought that about.

In both concepts an important factor is that everyone is involved. The work charter for the group is described. You don't describe the finite individual job description, you define the work that has to be achieved. Then everybody is involved in seeing to it that everything gets done. Individuals must cross-train and learn to do a bigger and bigger part of the job because the work flow doesn't come through nice and neatly.

It's a more substantive situation for people in terms of the work to be done in the sense that every individual is partly responsible for seeing to it that the work gets done. Work methods are improved and response time to the customer is shortened. It's really an important overall idea in how work should be described and how work should be designed.

A final example in the use of company resources is our consolidation of warehousing needs. We have moved out of some of our leased space and back into quarters owned by Tektronix. One of the key things that made that possible was Just-in-Time manufacturing and MRP inventory control.

To grow as a means of maintaining and renewing vitality.

Last year more than 30 per cent of our sales were from products less than a year old. That's an indication of renewal in a very real sense.

We have been committing a very high percentage of our resources to research, product development, technology development, and component development. The results of that are new products. The sales of those products are an indication of the renewal cycle of Tektronix.

We're currently committing more than 12 per cent of sales to all of our research and development functions. That is a high level of commitment but one we believe

will insure we renew ourselves in the future and maintain a fairly high level of vitality.

The Unicorn line, which is a high-volume production line at Wilsonville, has increased 80 per cent over last year. That is a great achievement in a very competitive market area. That group deserves really high marks.

A new member of our family, CAE Systems, is a very important centerpiece in our computer aided engineering strategy. We're pleased with the company and the achievements to be made.

In addition to CAE, Grass Valley Group made two acquisitions recently to expand their role in specific new market areas.

We're not big acquirers of companies but when we find key pieces we're willing to go out and see if we can't strike a long term working relationship that will be very healthy for everyone.

The Liquid Crystal Color Shutter converts a single monochrome CRT to color. It gives good definition, good resolution, and is relatively low in cost. As a business, it will take a while to develop because it is a specialized kind of componentry but I'm sure we'll see it develop over the next two or three years.

We have plans to open offices in China. We already have a service center in Beijing and have concluded a contract with an organization in Shanghai, to assemble some 2200 series oscilloscopes. We expect to see the Chinese market develop more for Tektronix products.

Of the renewal and growth cycle the biggest element is the flow of new products to meet customer needs. That has to come from every operating group. Whether you're a component, instrument, or software group, the new products are where the action is for growth and vitality for the future.

To insure that corporate objectives, wherever possible, enhance the goals of the immediate and larger communities of which we are a part.

This is sometimes referred to as social responsibility. We, as a company, have a good reputation, and with good cause, about our contribution to the local community. The biggest element of that is people like you who are active in your own community.

There are thousands of Tek employees involved at the community level, adding their own resources, capabilities, and interests in doing things that are important for the community.

In addition to that, our combined gift to the United Way represents 12 per cent of the total for this whole metropolitan community. I'm extremely proud of Tek people for their concern for those in need in our community.

A combination of the employees and resources of the corporation flow to the community in hundreds, if not thousands, of ways.

Tek is a strong supporter of education. Not only through the Tek Education Program and cooperative programs we're involved with but in much broader terms. We believe that preparing young people for work in the future is an absolutely essential element to an economy that has vitality and substance.

We are currently doing some drilling in different parts of the Beaverton campus. We're trying to verify what the ground contains in the way of chemicals. We want to be sure we don't have any serious environmental impact from all the operations we have here, or identify it clearly enough to bring about actions to rectify it if the need is there. We consider ourselves good corporate citizens and we want to maintain that image in the community.

Community concern is a part of our overseas operations too. In the United Kingdom we consolidated several facilities into one and moved to a new community north-west of London. The people of the community had some concerns about what kind of operation we were. So we held a special open house for the community to explain what Tektronix is all about. We replaced imagined concerns with an understanding of the company.

That's just another example of Tektronix' citizenship and concern for the community.

To achieve superior levels of profitability.

We've got a lot of work to do yet in this area. It's true we've made progress but we have to continue to move up.

Every organization that has an improvement in their return on operating assets, turnover of inventory, or better margins has contributed to the progress we've made.

A couple of examples of superior performance are: The 7000 series product group. Although the conceptual design has been with us for several years there has been a continual renewal and it's still viewed as the premiere and most versatile laboratory oscilloscope family anywhere. There is no real competition for it.

They've achieved respectability in the full sense of the word, and very high levels of returns.

The 490 series of spectrum analyzers is another good example. In the last several years their achievements have been superb and they continue to gain market share and have truly outstanding performance in their products, with high financial returns.

And I've already mentioned the Unicorn group.

We have people working on the well being of Tektronix doing a wide variety of things. That adds up to improved performance. Most people here are really in to their job and interested in the well-being of this place called Tektronix.

But until we make the Statement of Corporate Intent a complete reality we will not be fully satisfied.