

Wantland: 'Tek's not in trouble'

'We have a lot of work to do in many areas'

By MICHAEL LaLUMIERE
Of the Times

Tektronix is eastern Washington County's bread and butter. Its 15,000 employees and approximate \$400 million local payroll have a great impact on the entire region.

Gene Biggi, owner of Beaver Creek Village, says that when Tektronix went into the one-day-off-in-ten program recently, restaurant owners in the area immediately felt the impact in their lunch trade.

Other business owners in the area undoubtedly felt the same impact.

Because of the temporary shut-downs and some bad financial quarterly reports, speculation has been running through the community about what is going on at Tektronix.

Last week, Earl Wantland, president of Tektronix, consented to an interview with the Times to discuss the company's situation.

Times: What is the situation at Tektronix?

Wantland: The company for the past five years, before this economy really hit us, has been growing at a compound growth rate of 24 percent a year. That means you more than double your sales in three years. Our growth has been really significant. Whenever you take a company the size we were and double it, you have plenty of work to do. And getting all that work done exactly right, when you're changing so much, is virtually impossible.

The recession was suppose to come 18 months earlier than it did and, from my point of view, would have been better coming that 18 months earlier. It would have given us time to regroup and consolidate and to get things stabilized earlier. But the darn tail-end of the boom mentality went along nearly a year-and-a-half longer than we expected. What it did was make the correction more significant, because the the economy was more stretched out than it should of been.

The other thing that tends to happen in an organization is that you get the feeling you're almost invincible when things go along for five years without any correction. I'm not necessarily saying I feel invincible, but the people who are really doing the work, the thousands of people that really are doing things, they get to feeling invincible.

And so what happened is that the mild correction we planned on in the economy turned out to be a heck of a lot more significant. We had to go through a big adjustment from a momentum line that was really going, to one that was essentially flat and in some product areas was actually down.

A major part of our problem was economy-related, but a very significant part of our problems was really associated with the accumulation of this five years of sustained growth. A lot of people were new in their jobs and some things just not being done as well as they should.

Overall the company has been going through a real consolidating period.

T: Is Tek in serious trouble?

W: Not in any generalized sense or by any stretch of the imagination is Tek in any serious trouble. Our company is an extremely strong company. From a financial point of view, as well as from a people point of view, we're extremely strong. We have outstanding people here and a lot of them. In that sense, I don't think there is any way you could say that we're in serious trouble.

When you get to specifics, we have a lot of work to do in several different areas. One of the major things that I had planned for some time is something I had hoped to do after the recession, but the recession was delayed so we ended up doing it at the same time. That was the move to divisionalization.

(Divisionalization refers to dividing the central function of the company into different divisions with each division having more autonomy. The result is similar to breaking the company into several smaller companies.)

We are restructuring the organization to make the division structure the strongest element of the company.

What that means to a lot of people is that their jobs are changing and of course any time you have changes like that you are going to have anxieties. People have uncertainties about what these changes mean . . . to the extent that in the interim people who



Earl Wantland, Tektronix president, says the economy combined with fast growth is behind the company's problems



The president of the largest employer in the state has an unassuming office in Tek's headquarters at the Oregon Commercial Center in Beaverton

have not had divisionalization explained to them, or even worse, know and don't like it, produce a variety of reactions.

Overall I think you'll find a high level of enthusiasm about the divisionalization process. And as we move into the future I think it will be a far superior way for expansion.

T: Have you lost good people over the temporary shutdowns or uncertainty about the financial future?

W: Although we view ourselves as a very good company to work for, we can't always be everything to all people. I think it's fair to say we have always had a steady stream of people leaving Tek. It's less than the industrial average by a fair amount, but we still have that steady stream leaving. And some of them are very good people.

You can point to a few specific people that we've lost in the last year that we'd just as soon still have. But when you look at what they went to do, you really wouldn't want to stop them. They're either starting a new company or getting a job opportunity

that was really good for them. We don't want to be an obstacle for people taking advantage of a good opportunity.

T: One thing that's hard for people to understand is why Tek shuts down while companies like Intel and Floating Point Systems don't.

W: There are two different reasons associated with the two companies you mentioned. Intel is not shut down, but they're not hiring. They went from a growth rate that was in the 50 or 60 percent rate down to virtually no growth rate. And when you look at their deceleration, it was every bit the equivalent of ours. But, because their growth rate was so high, they didn't go below the zero growth rate.

In the case of Floating Point, they have a specific market that they have identified and a specific product area which is still in demand. We have some of those market areas, too, but not across our whole product line. They were just well-positioned for this situation and have come through this recession extremely well. I'm really pleased with their success.

T: Has continued expansion during this recession made Tek's financial situation look worse than it really is?

W: Decisions to invest are really long-term decisions. Our buildings that are being completed now were begun two or three years ago. Our longer-term expectations are really good. We expect to need those buildings plus quite a few more.

There is an impact in the short term for bringing new buildings on line. But it's not a large impact if you look at the whole company. It's not enough to make a big difference in how we look financially.

T: Have there been any competitors from, say, Japan that have been a factor in the company's sales lags?

W: We see competition on a world-wide scale. Our principal competition is still in the United States. In the specific market areas overseas, the local competitors have an advantage, because they're there, and they don't have to import their goods like we do. Because of this countries like Japan and Germany do have a good share of

the market in their respective regional areas.

We, like others in our industry, really have our eyes on the Japanese. Although they haven't had a large impact on our markets, we expect them in the long term to be the ones that will give us the most competition.

Generally, what the Japanese have done in the world market is put out high quality products with good reliability. In many cases innovative products.

We have additional work to do in our organization to make sure that we function as effectively as they do.

T: What will it take for Tek to resume its growth?

W: There are two major factors. One is that the world economy has to come up. The European economy isn't in good shape either. Not very often in history has the European and American economy been down at the same time. So for an international company like ours, that has 40 percent of its business outside the United States, we

got the benefit of those not being coincident. This time, though, they almost exactly coincided, which made the cycle have more impact on us. So we do need to see a return to reasonable economic growth in all of the western societies before you see a major thrust of growth.

The other major factor is right here at the ranch. We need a continuous stream of new products. We've got a lot of new products coming out this year. That's the critical element. It's also a piece of Tektronix that local people don't see because we sell so few of our products in Oregon. Very few of our customers are here. This stream of new products is really our business generator. I think that's true in every industry.

T: How do you perceive Tek's future?

W: I perceive our future as very good. I am optimistic about the future of the company. Opportunities in our field will continue to develop and I have confidence in our ability to take advantage of our share of them. In many cases we will create the opportunities by our own innovative products. Historically that's what we've done.



T: Is Tek a conservative company?

W: We are conservative in the sense of being non-flamboyant. We are definitely conservative when it comes to fiscal matters and economics. We believe in living within our means and are definitely conservative from that point of view.

But we put a lot of money into R and D (research and development). We invest at something approaching 100 million a year in R and D. That's not really conservative when you're talking about investing in the future.

Despite the rough times, we have really hung tough in those engineering budgets because that's really where the future is. We'd rather reduce a lot of other things first.

T: Why are you expanding into other places like Fairview and Lebanon (Ore.) rather than building more plants in Washington County?

W: If the world continues to be good to Tek and we continue to grow, you could project that in seven or eight years we'll be twice the size we are now. That's a lot of buildings to be located in Washington County. So our thinking is that we had better spread our base out wider. If we're going to have that kind of growth, we don't want a severe acceleration in any one location.

T: How is the morale in your company now?

W: I think it's very mixed, depending on where you work in the company. Generally, I think the morale is good given the circumstances. There are some areas where it's not good. Interestingly enough, when we had the announcement last week that we were going back on full-time there were mixed reactions. Some buildings cheered and others kind of groaned, thinking, there goes my four-day weekend.

T: Why did you go back to the regular schedule?

W: I think things are a little better than they were. I didn't want to stretch it out any longer than we needed to. We still have a lot of changes going on in the company, so there will be a lot of uncertainty in specific areas and I think the uncertainty will continue for quite a bit of time.

T: What kinds of impact does Tek have on our community?

W: At our current sales levels, the amount of money that flows to employees in this area is somewhere around \$400 million. That's bound to have a big impact. The positive thing about that is all that money comes from out of the state. It's new money.

Our people also have a big impact. As I get out in the community I get a lot of comments on how somebody at Tektronix has done an outstanding job on some local project. We encourage our people to expand their education and get involved in the community and in that way our people make significant contributions to the community.