

NEWS IN PERSPECTIVE

COMPANIES

A NEW ICL IN THE MAKING

Though the new management team can expect tough times ahead, it plans to take the debt-plagued British firm in new and profitable directions.

The two new head honchos at ICL Ltd. face a tough uphill fight.

Apart from the not-so-insignificant task of trying to turn around the debt-plagued British mainframer, the management duo has a myriad of other concerns to tackle. They can expect to encounter resistance to their expressed plans for significant cutbacks in products, development projects, and manpower. They must gain confidence from their critics who are quick to point out that neither has experience in the computer industry. They must overcome resentment at the fact that the British government effectively placed them in power.

FOR THE NUMBER CRUNCHERS

With ICL trading at a loss, the company has instituted plans to cut the work force by 17%. In the half year ended in March, income was down 8% to about \$640 million, with a loss of about \$70 million. That compares to a profit of about \$40 million for the equivalent period last year. Company chairman Chris Laidlaw said that it would be optimistic to expect ICL to break even in the full financial year.

Company staff will be cut by 5,200, of which about 1,000 will be outside the U.K. Half the cut will be in marketing operations staff and 550 in product development. Managing director Robb Wilmot ordered the cuts before completing his strategic review. He said cuts will be made on the basis that all functions must "share in the sacrifice."

Wilmot said he did not see the need

Both the new chairman, Chris Laidlaw, and the new managing director, Robb Wilmot, admit to being new to the computer business. Laidlaw comes from oil company BP, where he was deputy chairman. Thirty-six-year-old Wilmot has spent all his working life with Texas Instruments, but mostly in the calculator side of the business. So, to get up to speed on computers in general and ICL in particular, the two-man team is taking the first few months to assess ICL's present

for further cuts. He added that 10,000 staff would have been lost by 1985 if the company had been taken over by a rival manufacturer. The extra losses would have arisen when customers migrated to rival gear.

Sales at ICL have been hardest hit in the U.K. and Europe. Wilmot and Laidlaw put the blame on the general economic recession in these countries. Outside Europe, ICL is trading profitably, with sales particularly healthy in Australia and South Africa.

ICL hopes that sales of smaller systems will pick up later this year. A replacement for the System Ten small business machine has been developed at Utica, N.Y., and was launched at the end of last month. ICL acquired the Utica facility and the System Ten when it bought Singer Business Systems about five years ago.

—M.P.

position. Then in September they plan to reveal a detailed long-term strategy, one that is expected to shift the focus of ICL's product line towards distributed networks, multifunction workstations, and small systems. Once their plan of attack is set, they want to move quickly.

"Short-term opportunities must be addressed in real time," Wilmot insists. "I believe in action. I will not be prepared to allow projects to amble along if they are

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consuming money without any tangible returns." This tough, quick-response control is one of a number of key management techniques Wilmot plans to import from his experience at TI.

"We must also have a clear long-term strategy to overlay short-term actions," he explains. "This provides line managers with a framework within which they can judge whether particular actions are right or wrong."

Each line manager will be given strategic targets along the way. If those targets are not met, senior managers will be

alerted. "We cannot have evolution on a random basis. We must be nimble in responding to change and track performance closely. But we must also know where we are going over, say, the next five years," Wilmot stressed.

In addition he wants to implement improved "design to cost disciplines," particularly in the small systems area where he has most experience. "You have to be prepared to take risks when developing, say, a workstation or a small computer. This means there must be new design methods and constraints compared to the traditional

mainframe business.

Wilmot has been impressed by the depth of technical expertise within the company. He has also endorsed some of the major system developments implemented by the previous managing director, Dr. Chris Wilson.

Wilmot's emphasis on management disciplines and the circumstances under which he was brought to the company clearly indicate why the government and ICL shareholders decided to ditch both Wilson and previous chairman Philip Chappell.

Wilmot's formula for success is relatively simple: plan long, monitor progress, act quickly and decisively to meet immediate requirements, and implement disciplined design and management procedures. This is precisely the opposite of tactics taken by Wilson and Chappell, according to their critics.

The government was among those critics, although its own dealings with ICL were poorly planned and managed. A period of uncertainty about ICL's future at the beginning of this year led to Sperry Univac's preparing a bid to take a minority stake in the company.

ICL unilaterally broke off talks with Univac after an internal fight with the government resulted in the decision to give ICL

ICL's product line is expected to shift towards distributed networks, multifunction workstations, and small systems.

one more chance at remaining independent by bringing in new management. This action followed reports in British papers which suggested that Univac intended to close down U.K. development centers and drastically cut back on U.K.-based staff if it took a share in ICL.

Although J. Paul Lyet, chairman and chief executive of Sperry Corp., vigorously denied these reports, they stirred up a patriotic spirit within those senior ministers in the government who argued that ICL, as a private company, should be left to free market forces.

ICL users in the U.K. summarized the arguments to keep ICL British in a telegram sent to Prime Minister Margaret Thatcher by their user association. "Britain's strength in the use, design, and production of information technology owes a great deal to the presence in the U.K. of ICL research, development, and manufacturing centers," the users stated.

And they added: "We believe that ICL now has a good product line. We have invested much money in helping in this development. It would be a tragedy for users and the nation as a whole if we lose the rewards of this investment now that it is about to bear fruit."

According to Lyet, ICL had suggest-

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ed that it was already considering cutting back on about 1,500 staff. Univac's proposals, he said, would have satisfied all user requirements for continued support of existing products and continuing growth. It is probable that without government intervention, the Univac bid would have succeeded.

The government's right to interfere in ICL's affairs comes from two agreements. Earlier this year, the government provided a \$200 million loan guarantee over two years (no additional financial aid has been offered to Wilmot). In addition to normal commercial conditions on this guarantee, the government was given a say in management changes and a veto over ownership transfer to non-British sources. A similar veto was also tied to a \$40 million development loan provided to help develop the 2900 series.

The government therefore has a direct say in ICL's future, although it no longer has a shareholding in the company and its economic philosophy argues against such intervention.

In December 1979, the government sold its 25% share in ICL to eager private investors. Less than a year later, ICL reported that it was trading at a loss. Most of ICL's difficulties were direct results of government policy, high interest rates, and a resultant high exchange rate for sterling. In addition, manufacturing industry in Britain has gone through a dramatic recession and the government has cut back its spending, including its spending on new computers.

The government and private investors from the City of London blamed Chappell and Wilson for failing to warn them of the sudden drop in trade. When the government offered the \$200 million loan guarantee in March, the reason given was purely that the government used many ICL computers and could not afford to see support for these systems cut off.

This led to two months of speculation about buy-ins, with ICL being linked with virtually every other American, European, and Japanese mainframe manufacturer except IBM. No bid was made asking for a majority shareholding in ICL. The government also says no bid was made which would have provided sufficient protection for its U.K.-based operations and support to customers.

Before Univac had actually made a firm offer, the government broke off negotiation talks. And yet nothing had happened in those two months to suggest that ICL was in any better position to remain substantially independent.

The net result of the government's action is the worst of both worlds. While proclaiming a policy of nonintervention, it went to the other extreme of effectively choosing the new management team.

Wilmot and Laidlaw therefore have a difficult job on their hands. For one thing, the two top men did not get off to a good start when they were introduced to the

press. They had finally signed their contracts late on a Sunday night, which suggests there was considerable pressure on them to come to a quick decision before the

ICL unilaterally broke off merger talks with Univac after the government opted for bringing in new management.

Univac bid could be put to the shareholders. When they met the press the next day, Laidlaw and Wilmot admitted they knew little about the detailed company prospects.

Laidlaw indicated that he was even unaware that the government had a preferential procurement policy towards ICL. He also suggested that he had taken the ICL job only after he had failed to get the chairmanship at BP.

Laidlaw's presence at ICL, however, is significant primarily for financial reasons. He is expected to help maintain confidence among investors. It is in Wilmot's hands to develop a detailed strategy.

Wilmot earned an impressive record at TI. An Englishman right out of college, he joined the company in the U.K. in 1966.

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One of his early jobs was to design chips for integrated circuits for ICL machines. His main managerial jobs before becoming head of TI's U.K. company in 1978 were in the calculator business.

Wilmot was based in Lubbock, Texas, for a while and then at TI's European headquarters in Nice. He helped TI fight off Hewlett-Packard's challenge in the professional calculator market, and in the last three years turned TI's U.K. operation into one of the corporation's most profitable national units. The main lesson he has learned from his multinational experience, he says, is that "people in the U.K. can perform as well as anyone in the world, provided they are properly managed."

His experiences using TI's management information network dominate his initial view of ICL's future role. He likes ICL's Information Processing Architecture (IPA) with its commitment to open systems networking because it fits with his concept of distributed systems composed of many different processors and workstations. He also wants ICL to "supply more than just computers." He wants the company to help users by "analyzing their requirements and providing complete specifications" of their distributed computing requirements.

Although Wilmot says he is "not a computer expert," he has a good understanding of the hardware. His main technical weakness lies in software.

ICL products that Wilmot would describe as "ambling along" include the Distributed Array Processor (DAP) and the Contents Addressable File Store (CAFS). They have great technical ingenuity and commercial potential which has not yet been fully realized, he explains. These and similar projects will be reevaluated by Wilmot.

ICL is negotiating with Three Rivers Computer in Pittsburgh for marketing rights to its Perq workstation.

Some will be chopped; others will be given high priority and backed to the hilt.

In some activities, such as office automation, telecommunications, specialized workstations, and even high-speed computers, Wilmot will be seeking joint ventures with other companies. Ideally, he would like partnerships with companies in complementary business activities rather than in direct competition to the traditional dp business.

The previous management had already initiated complementary types of joint ventures. One of the most interesting, in view of Wilmot's emphasis on workstations, is a deal that is being discussed with Three Rivers Computer Corp. of Pittsburgh. ICL has been interested in the manufacturing and marketing rights of the Three Rivers Perq system, a powerful, high resolution graphics workstation. ICL will also

adopt a local area network developed by another company, probably the Xerox Ethernet, although it has also shown interest in two British systems, the Cambridge Ring and Xionics Xibus.

Commenting on possible associations with companies like Univac or CDC, Wilmot said, "If you take two companies in roughly the same business, you will find that one plus one equals one and a half when you try to put them together."

—Malcolm Peltu

APPLICATIONS

DP MOVES IN ON CABLE TV

Cable tv operators have been using dp via service bureaus for years; now they want something of their own.

Digital Equipment Corp. is staking a claim to the leadership position as a data processing supplier to the cable television industry.

Digital was the only computer manufacturer exhibiting at the big 30th annual convention and exposition of the National Cable Television Assn. in Los Angeles in late May.

Its booth, which it shared with two of its oems, Applied Data Research (ADR) and Business Controls Corp. (BCC), both of New Jersey, was a dignified contrast to what might be termed a PG-rated expo, dominated by show business-oriented booths and sprinkled with samples of the late-night offerings of some cable operations that have given cable a bad name in some parts of the country.

"It's all show business here," said Richard J. Rose, cable marketing manager for Digital's Graphic Arts Product Group, "but cable is going to move far beyond that."

Digital is planning to move with it. "We're uniquely positioned to provide solutions that will help today's booming cable industry keep up with growth. And yet, as cable systems mature, we can also provide solutions that respond to the cable operator's need for better market penetration and cash flow management," he said.

Digital has been watching the progress of cable since the days when it was known as CATV or Community Antenna Television. "In those days their [cable operators'] operations were simple," said Rose. "They offered good tv reception in remote areas—a single service for a flat fee. Now they offer multiple services. Their op-

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