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Borland cutting 650 jobs

Scotts Valley workforce to be reduced by 300

By STEVE PEREZ
Sentinel staff writer

SCOTTS VALLEY — The other shoe dropped Tuesday at Borland International.

The once high-flying Scotts Valley-based software firm announced it will lay off 650 of its 1,700 employees worldwide, a 40 percent reduction.

Slightly less than 300 of the layoffs are at the Scotts Valley headquarters where 1,100 are employed at present, Borland's new president, Gary Wetsel, said in an interview Tuesday afternoon.

The layoffs are scheduled to be completed by the end of the June 30 fiscal quarter.

The official announcement was made Tuesday afternoon near the close of the financial markets.

"Obviously, at this point in time it's a been a pretty difficult time, making decisions about individuals," Wetsel said. "All of us want to be extremely sensitive to the folks we have to let go today."

The layoffs were foreshadowed in December when Borland officials said they expected to post yet another loss for 1994.

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Borland has lost money since 1991, more than $225 million in the last three fiscal years.

The company's latest earnings reports won't be released until next week, Borland spokesman Steve Grady said.

The bad news in 1994 included lower revenues due to a continued price war with Microsoft, the acknowledged king of the software hill, and lower than expected earnings for Borland's Paradox 5.0 software program, released over the summer after three years of delays.

"It's a gloomy day," said one Borland worker, who asked not to be named. "That's all I can say."

"I haven't figured out if I've been dealt a winning hand or not," said another, who survived the cuts.

The layoffs are part of a restructuring to return Borland to profitability, Wetsel said.

The strategy is to position the company as provider of software tools for developers, while de-emphasizing costly efforts to compete in the desktop software marketplace dominated by Microsoft.

Wetsel became president last week after the resignation of Borland founder Philippe Kahn.

Kahn stepped down, saying criticism of

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his business strategy, use of company resources and negative attacks in the press had proven to be a "major distraction" to Borland's efforts to retool for the future. He remains chairman of the board of directors, but is deferring, publicly at least, to Wetsel.

Wetsel said the restructuring, the result of an internal review with management consultants Booz, Allen and Hamilton, will help the company focus on its "roots" of providing tools for software developers.

Besides the layoffs, Borland's other cost-cutting actions announced Tuesday include:

- Centralizing its various development and marketing organizations and integrating technical support;
- Streamlining and focusing development efforts on core products;
- "Outsourcing," or contracting out its manufacturing operations in the United States and Europe, along with some marketing and support activities;
- Adopting programs to reduce discretionary spending;
- Re-engineering overseas operations to reduce costs and focus on markets with the great potential for revenue.

Borland's principal operations in the United Kingdom, Germany, France and Japan will remain.

But the company intends to either "close or significantly reduce" operations in other regions and sell and market products in other areas through distributors.

According to the industry magazine Information Week, the continued problems at Borland have caused some longtime company supporters to rethink their positions.

"We once bet everything on Borland," said Gerry Miller, a consultant for a technology firm in Massachusetts, who was quoted in the magazine's Jan. 23 edition.

"But we've seen a consistent decline in products and in Borland's vision," he said. "We're distancing ourselves from Borland and turning increasingly to Microsoft."

Steve Lewis, one of six members of Borland's board of directors, heads the venture capital firm Generation Ventures of San Mateo. He said the restructuring would allow the company to remain an "independent, growing concern" and that talk of the company being a takeover candidate was uninformed.

"The cost structure of the firm was not in sync with the revenue picture," Lewis said. "The financial health of the firm is fine, there are significant cash reserves ($90 million reported Dec. 31, 1994).

"I believe, that with the successful restructuring of the company, that financially, we'll be in pretty good shape."

SANTA CRUZ