COVER STORY

Management by Consensus

Chuck Peddle credits hard work and a "people philosophy" for Victor's phenomenal success

CHRISTINE McGEEVER

NO sign greets the visitor on the Scotts Valley Drive entrance to Victor Technologies. Inside the two-story redwood building are the offices of Chuck Peddle, president and chief executive officer of the three-year-old computer firm. The plain building does not look like the home of a $250 million company. Peddle's office overlooks a trailer park. The offices have no air conditioning and it's 80 degrees outside. Sounds of traffic on the drive sneak through the open window.

Nine rolling chairs surround an oblong conference table littered with half-empty styrofoam coffee cups. Nearby are stacks of loose papers and files. A summer jacket is draped across the back of Peddle's chair, instead of on the empty coat hanger that lies on the couch. A secretary apologizes for the office disarray. It is, after all, the work place of a multi-millionaire.

The phone rings, but no one is there to answer it. Chuck Peddle is running a half hour late today, and one of his secretaries is with him in his meeting, phoning back

Employee Jeff Beck shows how the casual atmosphere is serious business at Victor.

to the office his estimated time of arrival. The office staff scurries to rearrange appointments accordingly.

When Peddle arrives, dressed casually without jacket or tie, he apologizes for being late and for the state of his office. He explains that he left a meeting with the firm's managers before it was over, tired of the discussion. Call me when you make a decision, he told them, and left it in their hands.

That is how the 46-year-old

entrepreneur runs his company. Not by absolute rule, but by consensus agreement inspired by the Japanese methods of decentralizing authority. Decisions are made by groups. Policies are decided by the managers of the departments and himself, and the managers and their employees then put those policies to work.

His "people philosophy" of shared authority and hard but rewarding work drew him to Scotts Valley where a large work

force, space to grow and an attractive living environment were waiting. The perfect environment, says Peddle, for Victor.

"That was why we came to Scott's Valley," he says. "There was a high unemployment rate, and there were a lot of very talented people that lived in the mountains and drove to Silicon Valley. I wanted it to be a friendly place to work. I wanted the employees to like it, and tried to build something that was going to last.

"But we're still close enough to Silicon Valley that we can take all the benefits. Doing a start-up company anywhere else in the world is about 10 times harder. You get all the benefits of Silicon Valley here without having to live in that kind of an environment. You can pick up the phone tomorrow and get PC boards in 24 hours."

From six employees in Scotts Valley in 1981, the company has grown to 2,700 employees worldwide. There are now 1,200 people working in 32 buildings spread from Scotts Valley to Watsonville, 1,000 of those in Scotts Valley alone.

With a team of computer scientists and engineers, Peddle originally formed Sirius Systems Technology, Inc., in December of 1980. Their product was a 16-bit, state-of-the-art business microcomputer. Sirius sold the marketing rights to a company called Victor Business Machines, then a division of a multi-billion dollar conglomerate called Walter Kidde, Inc. After Victor Business Machines found a marketplace for the computer in Europe, Peddle bought Victor from Kidde and took the name.

Victor became profitable its second year at a pace much "faster than people manage to accomplish that kind of thing." Revenues for the first three months of 1982 were $3,800,000, and jumped to $55,629,000 in March of this year. Peddle estimates this quarter's revenues to be between $65 and $70 million. He attributes the high figures to the company's dedication to being "very big or very broke."

"It was part of our plan to grow that big," he explains. "As a matter of fact, we failed. I planned to be a $100 million company in 1982, and only did $65 million. Our goal is to be a billion-dollar company in 1985. I intend to be number three in the computer business. I know IBM's going to be number one. DEC (Digital Equipment Corporation) is number two, but it's not a given that they're going to hold that position. Some Japanese company could do that. Number three is a goal people would believe. Some people don't believe that."

Peddle's success began in 1978 when he designed the first microprocessor to be widely used in the industry for a pioneer company, MOS Technology. His efforts earned him the title "father of the personal computer." He also designed the microprocessor chips that would later be used in Atari's video games, and designed the Commodore PET, the industry's first personal computer.

But there was another market out there, and Peddle gambled that he could produce a small business computer that would "change the way people do work." In Europe it was known as the Sirius I, and in the United States, the Victor 9000, which sells for $3,495.

Although sales increased 20 percent in the last quarter of the

Eileen Pataky prepares the disc drives for installation.

year, Victor lost several million dollars when they could not get parts from a supplier. Peddle sees such a loss as part of the gamble.

"We're a high risk business," he explains, "but on the other hand we're playing for big stakes. This market is the biggest market for computers ever. Companies like IBM are playing very hard in the marketplace. The wins are very big, the losses are spectacular, and the sport of being a player is very exciting."

Victor's rapid growth, however, means more responsibilities for Peddle, more demands on his time and more of a need to relieve the stress. He

runs daily and ran the San Francisco Marathon last weekend. Most of the members of the Victor start-up team were runners as well, and he encourages his employees to run. He is considering donating a jogging course to the city of Scotts Valley. "I don't want my people running on Scotts Valley Drive anymore," he says.

Peddle is proud of Victor's effect in the community, citing a modest boom in real estate and increased local bar and restaurant business in Scotts Valley. "Almost none" of the workers employed at Victor, says Peddle, are Santa Clara Valley residents. Victor currently has 100 students employed full time for summer work, and relatives of employees are given priority over others when applying for jobs. How can you have a family company, asks Peddle, without husband/wife, mother/daughter or father/son teams?

Victor's most important role in the community, says Peddle, is to be a good neighbor, "sort of like a neighbor that throws loud but good parties." Hence, Victor Technologies donated more than $5,000 to put on the Fourth of July fireworks this year at the county fairgrounds, and is considering giving a sizeable donation to the city of Scotts Valley to finish building the city hall.

Peddle also feels that Victor might provide a service by supporting the proposed UCSC

research and development park, if the campus decides to support the "new wave" technology of software. Now that computer hardware has been all but perfected, Peddle says, new ways of using it can be explored. The next major advances in the field will be made in software, a clean industry that does not produce toxic wastes or require huge fleets of trucks to ship products, according to Peddle. But it will be attracting attention from individuals and companies willing to invest in research, and thus software development on the UCSC campus, he says, could affect the community much like a hit record business. As the talent cranks out the product, local wealth increases.

Peddle does not see the

development of Scotts Valley as an advancement of Silicon Valley-type high pressure urban living, with its crowding, congestion, and expense. Instead, it is the case of a company conforming to the existing lifestyle of good, hard work in a casual, nurturing atmosphere. Peddle is confident that Victor is a "legitimate intruder into the Santa Cruz environment.

"What we bring is interesting, exciting jobs. A large number of people who have bought stock will come back out very wealthy. Our work force is well-paid, they're getting paid the same wages as in Silicon Valley.

"Intruder just means that you're different," he says, leaning back in his chair. "It doesn't mean that you're bad." •

The final Victor product awaits testing.