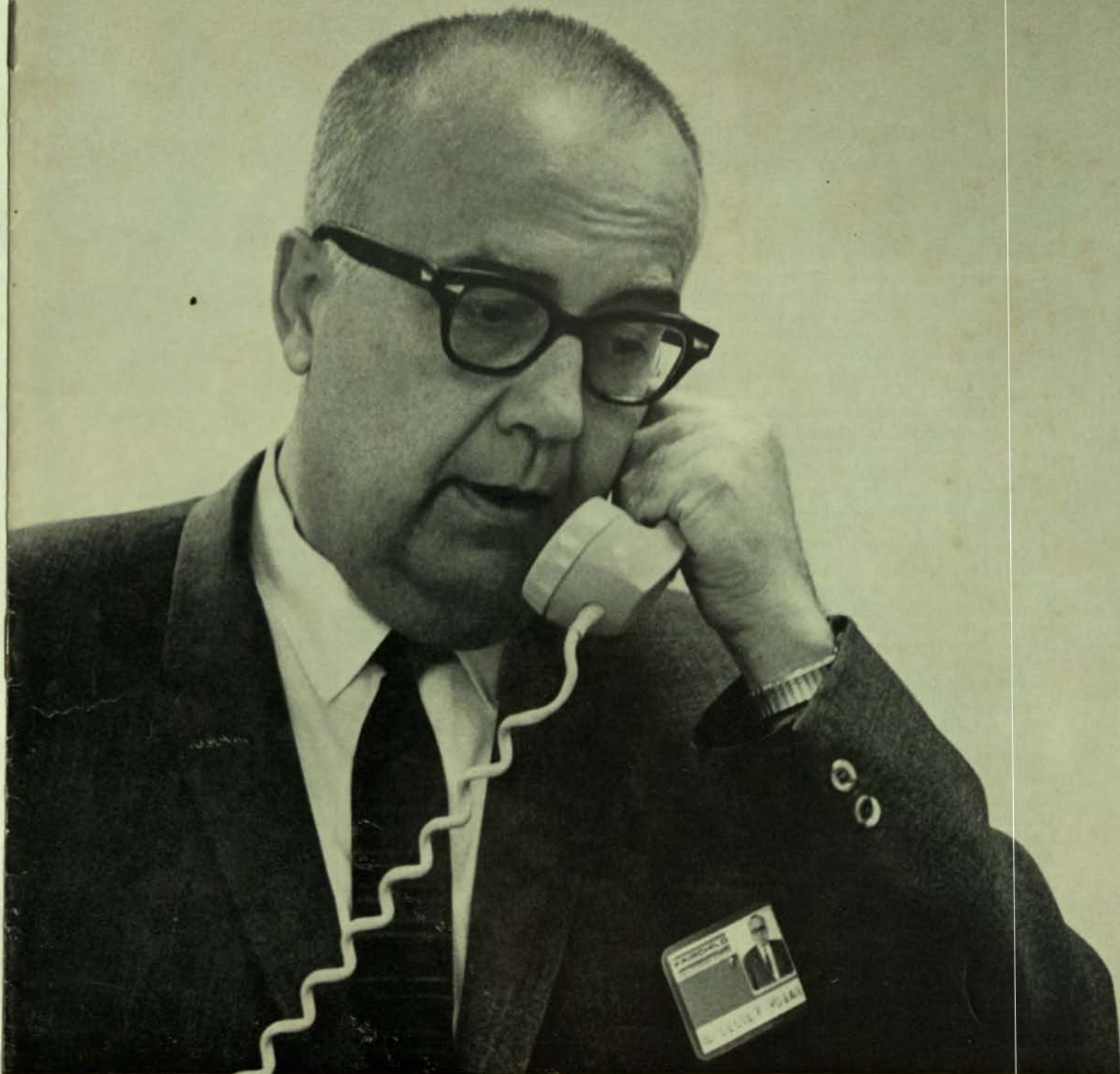


# Business Week



C. Lester Hogan, 47-year-old president of Fairchild Camera

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## The big fight that Fairchild won

# The fight that Fairchild won

Switch of C. Lester Hogan to Fairchild Camera from Motorola followed months of behind-the-scenes maneuvering.

Now the hope is that he can turn the flagging company around



Motorola Chairman Galvin was shocked over losing boss of his semiconductor division.

On Friday, Aug. 9, Motorola, Inc., issued a press release that stunned the electronics industry. The company tersely announced a new general manager for its successful semiconductor division in Phoenix.

Then Motorola leaked an additional tidbit: C. Lester Hogan, 47, who had been the division's executive vice-president and general manager, was leaving to become president and chief executive officer of Fairchild Camera & Instrument Co., a bitter competitor that had been looking for a chief executive, off and on, since October, 1967.

That Motorola had ignored traditional corporation courtesy by leaking the news of Hogan's new job indicated the bitterness his departure had engendered.

**Irresistible bait.** Motorola Chairman Robert W. Galvin had felt certain that Hogan—who in January had received a huge salary increase and big stock option—was safe from outside lures. Galvin also knew that Hogan had turned down an offer from Fairchild in July.

What Galvin did not know, however, was that Sherman M. Fairchild, the founder and biggest stockholder of Fairchild Camera, had personally reopened the negotiations with Hogan and made an incredible offer:

- A salary of \$120,000 a year, \$30,000 more than he got at Motorola.

- An interest-free, personal loan from Sherman Fairchild for \$5.4-million to enable Hogan to exercise an option for 90,000 shares of Fairchild stock at \$60 a share as soon as the company's rules allow—three years from the start of employ-

ment. This is the lushest part of the deal: By last week, the stock had climbed close to \$80, netting Hogan a fast \$1.8-million paper profit.

- An additional 10,000 shares of restricted stock at \$10 a share, giving Hogan another \$700,000 in paper profits so far.

When seven senior managers of Phoenix followed Hogan to Fairchild, Motorola filed a suit charging "unfair competition, interference with advantageous personnel relations, antitrust violations, and unjust enrichment." Motorola also dug deep into the law books to tap an obscure precedent, the constructive trust.

## Cast of key characters

(In order of appearance)

**C. Lester Hogan**, Motorola's executive vice-president, became president of Fairchild

**Robert W. Galvin**, board chairman of Motorola, lost Hogan

**Sherman M. Fairchild**, Fairchild Camera's board chairman, lured Hogan away from Motorola

**Daniel E. Noble**, Motorola vice-chairman, had hired Hogan 10 years ago

**John Carter**, former chairman of Fairchild Camera, resigned unexpectedly

**Richard Hodgson**, president of Fairchild Camera, did not meet Sherman Fairchild's "standards"

**Roswell L. Gilpatric**, Fairchild board member, helped push Carter out

**Walter Burke**, Sherman Fairchild's financial adviser, led the search for a new president

**Joseph B. Wharton, Jr.**, Fairchild board member, who served on interim management committee

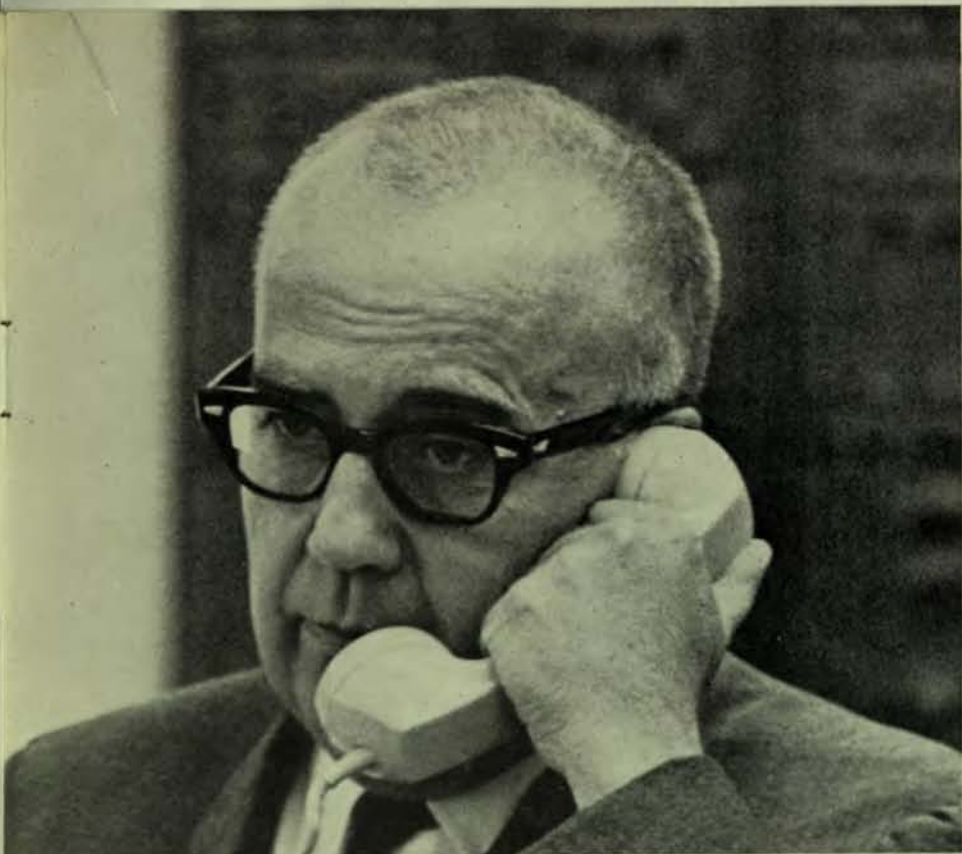
**Robert N. Noyce**, one of founders of Fairchild Semiconductor, resigned

This is a device whereby Motorola asked to receive any profits that Hogan and the seven others might make from stock options and salary.

This astonishing set of events has rocked the semiconductor industry, where sudden switches of personnel rarely lift an eyebrow. If anything, the industry has always considered a well-planned raid as the best answer to a manpower problem. In its salad days, Motorola once hired 18 engineers from the semiconductor division of General Electric. And every company in the industry has done much the same thing.

The Hogan case, though, is unusual not only because of the size of his compensation, but also because of the depth of the crisis that forced Sherman Fairchild to offer him such a deal.

**Festering mess.** What Fairchild Camera needed most was firm leadership. The company has had this need since a disagreement between top management and the board of directors developed in 1967, mainly over the performance of divisions that were acquired in a wide-ranging diversification program. The festering management mess grew worse last autumn



**New president,** Hogan joined Fairchild when the inducement became irresistible.



**Fairchild Chairman** Fairchild reopened negotiations and made Hogan a fantastic offer.

when the strategy of a small group on the board backfired. Chairman John Carter resigned, leaving the company without an active head. Last year, Fairchild's sales fell 10%, and the company lost \$7-million.

Hogan is a good choice to clean up the wreckage. Today, Fairchild Camera is predominantly a semiconductor producer, and Hogan is the semiconductor industry's newest success story.

**Momentum.** When Hogan joined Motorola Semiconductor as general manager in 1958, the division was in a funk over startup problems. Hogan built up the operation from sales of less than \$5-million that year to over \$230-million in 1967.

Hogan's greatest attribute at Motorola was his leadership. Cheerful and boundlessly optimistic, he was able to attract good men and keep them working together. He built a superb organization in Phoenix, earning the confidence of those under him with fast decision making. To Hogan, a bad decision is better than no decision.

Most of his decisions were good. He had a fine technical background and understood semiconductor making. Just before joining Motorola, Hogan had taught physics at Harvard, specializing in electronic devices that amplify microwaves and ferrites, the magnetic materials that make computer memories work.

Although he had no previous business experience, Hogan learned fast

from his immediate superior, Vice-Chairman Daniel E. Noble, and from the Motorola industrialists in Chicago who went to Phoenix to teach him.

This year, for the first time, Motorola Semiconductor passed Texas Instruments, the perennial leader in the semiconductor industry, to become the biggest producer in the U.S. (Worldwide, TI's sales of semiconductors are still bigger than Motorola's.) By dint of a mammoth automation program and a mastery of manufacturing processes that produced high yields—that is, few rejects—Motorola under Hogan's direction became the industry's most profitable producer. Last year, the division netted \$30-million.

### Success turned sour

Until John Carter arrived on the scene in 1957, Fairchild had been a lackluster company which had grown at a snail's pace over the 37 years since it was incorporated as Fairchild Aerial Camera Corp. in 1920. (The present name was adopted in 1944.) Sales were \$37-million in 1957.

Under Carter the company started to move. In 1966, it had record sales of \$228-million and profits of \$28-million. But the performance was lopsided: Only three of the company's eight divisions operated at a profit. Then came last year's \$7-million loss.

Fairchild manufactures a hodgepodge of products: semiconductors, electronic instruments, typesetters, printing presses, heat exchangers, photographic equipment, aerial cameras, and water pollution control instruments.

**Stroke of luck.** Carter committed Fairchild to a policy of growth by acquisition. He got his first chance in September, 1957, when he decided to finance eight engineers who were starting an independent company to make semiconductor devices in Mountain View, Calif. In return, Fairchild got an option to buy the company.

Luck and good timing rode with the eight engineers. A recession that year scared all other semiconductor manufacturers into a retrenchment that curtailed new product development. But secure with their Fairchild backing, the men at Mountain View plunged ahead to develop new products—and a revolutionary technique called planar process for making transistors. It became the fundamental process for producing silicon transistors and integrated circuits.

When the recession ended, the Mountain View group had products that were unmatched in the industry.

By December, 1958, the fledgling company was already operating in the black, and profits were rising sharply. Sales mushroomed from \$500,000 in 1958 to \$9-million a year later. In October, 1959, Carter re-

cognized a good thing and exercised the option to buy. He converted the new company into the semiconductor division.

**Boom.** Fairchild has never been the same. Suddenly it was a Cinderella company.

Sales of semiconductors grew so fast that the semiconductor division soon dominated the company. In 1967, its sales of \$140-million accounted for two-thirds of Fairchild's total sales.

Flushed with success, Carter went on an acquisition spree. He acquired Allen B. DuMont Laboratories and some relatively unknown companies: the printing press business of Waste King Corp.; Circle Weld Mfg. Corp., a producer of heat exchangers, ducts, flexible joints, sensors, and motor compensators; Curtis Laboratories, a manufacturer of precision optical and photographic equipment; Cosmic Corp.; Addressing Machine Div. of Dashew Machines, Inc.; Di-Tran Corp.; Central Electronic Manufacturers; Davidson Div. of Mergenthaler Linotype Co.; Electro Sensitive Products, Inc.; White Avionics Corp.; and Pro-Tech, Inc.

**Brewing storm.** But most of the companies never operated profitably for Fairchild, largely because their products were inadequate and Carter refused to invest enough to improve them.

Hardly anyone noticed that trouble of a different sort was also brewing at Fairchild. The bright young men who had wrought the miracle at Mountain View were becoming disenchanted with the corporation. They resented a second-class status, evidenced by such small slights as that their division reported to a group vice-president while less profitable divisions—most of them in the East—reported directly to the chairman. Even more galling, the division's profits went to unprofitable parts of the operation instead of for new automation equipment or rewarding them.

The men in middle management started to move out of the semiconductor division. Manufacturing manager Guy Chafee left to head Stewart-Warner-Microcircuits. Early in 1967, General Manager Charles Sporck moved to National Semiconductor Corp., taking three other managers with him. Over the next six months, at least 35 other professional people followed him to National. Suddenly every semiconductor company in the Bay area was able to hire Fairchild professional people.

Sporck was replaced by Thomas H. Bay, who had been marketing manager of the semiconductor divi-



**John Carter**, former chairman, quit over plan to sell some acquisitions.

sion before being promoted to general manager of the instrumentation division. Under Bay, the marketing department gained too much power. Eventually, things got out of hand when the smooth-functioning semiconductor operation started missing deliveries. Bitter conflicts broke out among the marketing, manufacturing, and engineering departments. In July, 1967, the semiconductor operation lost money for the first time since 1958.

**Rescue plan.** Meanwhile, the board of directors in New York became fed up with repeated promises of profits that never materialized from the other acquisitions. Rumors of production troubles at Mountain View reached Wall Street. Fairchild's highly volatile stock slid. The board decided to act—and almost brought the house down.

Early in 1967, Roswell L. Gilpatric, a former Deputy Secretary of Defense and now a New York lawyer, had joined the board. He suggested that a committee be formed to study the company's condition. The group consisted of Gilpatric and two of Sherman Fairchild's close personal associates on the board, Walter Burke and Joseph B. Wharton, Jr.

Burke was also Sherman Fairchild's personal financial adviser. After graduating from law school, he had joined his father who was the financial adviser to Sherman Fairchild's father. After the elder Burke died, Walter, Jr., took over Sherman Fairchild's investments. Wharton is a management consultant who operates a financial and tax advisory service.

The Gilpatric-Burke-Wharton group concluded that projections of sales and profits of some of the acquisitions had been unduly optimistic for years. It recommended that persistent money-losers be sold off.

At Burke's suggestion, the committee presented its study to Carter in October, half expecting the chairman to endorse the findings and implement them. But Carter, annoyed at the attack on his acquisitions and sensing a power play, resigned instead.

**Vacuum.** The resignation caught the 72-year-old Sherman Fairchild by surprise. He offered to fill in as chairman, forgetting that the chairman was also the chief executive. When he realized that he was expected to make all the major operating decisions, Sherman Fairchild shifted the responsibility to Richard Hodgson, the company's president.

On the surface, Hodgson looked like a good choice. He had previously tried to fill the vacuum that had developed when Carter, preoccupied with selling off unprofitable acquisitions and finding new ones, lost interest in current operations.

But Hodgson had never had the full confidence of Sherman Fairchild or of his two key advisers, Burke and Wharton. Both men were financially oriented and felt ill at ease with the technically-oriented Hodgson. In addition, Hodgson failed to bring in the new talent the company needed.

In the spring of 1968, Burke and Wharton persuaded Sherman Fairchild that he had made a mistake in making Hodgson chief executive. Although Hodgson was carrying out the plan to dump the poorest acquisitions, Burke and Wharton were dissatisfied with his plans to make the company grow.

Sherman Fairchild withdrew Hodgson's responsibility as chief executive and set up a four-man management committee to run the company. The members: Fairchild himself, Burke, Wharton, and Robert N. Noyce, the group vice-president in charge of the semiconductor and instrumentation divisions and the only operating officer. The move freed the company to look for a new top executive.

**Gambit.** The management committee has been Sherman Fairchild's favorite ploy to win time for finding a new chief executive. He had used it previously at Fairchild Engine Co. (before it became Fairchild Hiller Corp.), and at Republic Aviation while he was consolidating it into Fairchild Hiller.

The handsome and articulate

Noyce, who had joined the semiconductor division shortly after it was founded in 1957, had won the confidence of Wall Street security analysts; they considered him the leading candidate for the presidency. But Burke and Wharton had other ideas. They alternated their thinking between a military systems executive and a financial man. But they wanted an executive with broad management experience.

**Chaos.** Before they could decide, conditions at the semiconductor division turned from bad to worse. Fairchild started to miss a large percentage of its deliveries. W. Jerry Sanders, the flamboyant and aggressive marketing manager, decided alone what new products the division would develop and sell. As part of a giant marketing program, he was introducing a new product every week. But the manufacturing department was slow to go along because startup operations for new products would have cut its profit performance. It turned out the old, easier-to-make products instead.

The cardinal sin in the semiconductor industry is failure to deliver. The big successes—Fairchild, Motorola, and Texas Instruments—all made their way up with on-time volume deliveries. By contrast, Sylvania, Transitron, and Westinghouse all had stubbed their toes with delivery delays.

**Search.** To stop the deterioration of the semiconductor division, Burke began looking for a top semiconductor executive to take over the division. This started a rumor that Fairchild was looking for a semiconductor executive to be the next chief executive. Burke's search failed.

By early June, Noyce was disillusioned with the management committee's inertia; he now knew that he would not be offered the job of chief executive. Although he had been considered for the presidency at the time the management committee was formed, his performance failed to satisfy the critical Burke and Wharton. Deciding he could not work for the kind of man Burke and Wharton were looking for, Noyce went to Sherman Fairchild and resigned.

In a new panic, the chairman persuaded Noyce to stay on until a new chief executive could be found. The forthcoming loss of Noyce made clear that the company had to look for a semiconductor expert to fill the top spot.

To make the job more attractive to one man who was already president of a small semiconductor company, the management committee con-

sidered spinning off the semiconductor division as a separate company. When the prospect declined, the search turned to Hogan. On June 25, Noyce called him and made an appointment for Burke to visit Hogan in Phoenix.

**Interplay.** Hogan jumped to the conclusion that Burke wanted to talk about a Motorola license for planar technology and readily agreed to the visit. Motorola is the only major semiconductor maker that has not licensed this important Fairchild process, and Hogan feared that Fairchild might sue for patent infringement.

In a two-hour, non-stop speech, Burke offered Hogan a job—though it was somewhat vague in detail. Hogan, though receptive, turned it down.



Robert N. Noyce quit when he was not offered Fairchild's presidency.

As days grew into weeks, Noyce's lawyer urged him to resign—if he still planned to—before his plans to start a new semiconductor company put him into a conflict-of-interest situation. On June 28, Noyce sent Sherman Fairchild a formal resignation and finally forced the Chairman to act decisively.

A week later, Sherman Fairchild himself visited Hogan at his home in Phoenix and offered him a job—this time as president of Fairchild Camera. Hogan said he was dedicated to his career at Motorola and added that stock options were pie in the sky if one didn't have the money for them. His decision was left in abeyance.

**Clincher.** A few days later, when Hogan called to decline the job, Sherman Fairchild unfolded a new

offer, complete with a personal loan to pay for the stock options. The chairman persuaded Hogan to send a tax lawyer to Los Angeles to discuss the proposition with board member Gilpatric, who was then on a visit to the West Coast.

Meantime, Noyce paid a visit to Hogan and frankly spelled out the strengths and weaknesses of Fairchild Camera for his benefit.

On Aug. 3, Hogan flew to New York to announce his acceptance to Sherman Fairchild and Burke in a private room at the Sky Club atop the Pan Am building. Two things persuaded him to take the job. One was the challenge to be No. 1 man and clear up Fairchild's terrible mess. The other was that the offer was his only chance to become financially independent.

Hogan's decision was a happy surprise for Sherman Fairchild, who by then had become convinced that Hogan was not about to leave Motorola. Even as Hogan was flying East, Fairchild and Burke were planning to approach another man. They did not know what was bubbling under the surface at Phoenix.

## A private agony

As Motorola was winning the semiconductor sales race in 1968, Hogan's own enthusiasm was flagging. Despite his public utterances to the contrary, he was getting itchy. After 10 years at Phoenix, during which time his division moved into first place in sales, he found his job no longer challenging.

Hogan felt, moreover, that Motorola's top management had not adequately recognized his or the division's outstanding performance. And he smarted over having to report to three other executives: Chairman Calvin; Vice-Chairman Noble, and President Elmer H. Wavering. He wanted to be the No. 1 man.

Unknown to the men at Fairchild, there had been a confrontation in January, 1968, between Hogan and Calvin which had left scars on both of them.

**Bitterness.** The incident involved an offer to Hogan to become president of General Instrument Corp., a semiconductor and electronics manufacturer with headquarters in New York. Hogan, though claiming he received only one voluntary raise in his 10 years at Motorola, turned the offer down. But he used it as a lever to force raises and stock options for himself and his staff.

After he threatened to walk out and take his staff with him, Calvin caved in and granted the salary increases and options. Hogan's salary

went from \$80,000 to \$90,000, and he was given an option for 10,000 shares of Motorola stock. (This was later reduced to 9,000 shares to appease other Motorola executives who objected to Hogan's special treatment.) In return, Hogan and his staff agreed to stay at least a year.

But Hogan, who until then had netted only \$239,000 from previous stock options, made a discouraging discovery: The new stock options were useless because he lacked the money to exercise them, and he could not afford the interest on a loan to do so.

On Aug. 7, Hogan turned in his resignation to Noble, the Motorola executive who had hired him in 1958. Noble was hurt because he had not known that Hogan had reopened negotiations with Fairchild after having once turned the company down. He urged Hogan to reconsider and to talk to Galvin.

The next day in Chicago, an annoyed Galvin feared another ploy to raise salaries. He started the conversation by discounting Hogan's contribution to Motorola's success. Annoyed, Hogan spelled out Fairchild's deal and compared it to what he felt was Motorola's parsimony. The meeting grew more acrimonious. It finally ended with Galvin accepting Hogan's resignation and telling him not to return to the plant, not even to pick up his own checkbook, which Hogan had left in his desk.

**Legal snarl.** What happened next will not be untangled before Motorola and Hogan meet in court. Motorola claims that as soon as Hogan accepted the Fairchild job on Aug. 3 and before his official resignation, he started to recruit his staff with promises of big stock options.

Hogan maintains that his staff visited him at his home over the weekend after Motorola announced his resignation on Aug. 9, and insisted Hogan take them along. Hogan says that he turned down seven or eight men for each one he accepted, hiring only those who were closest to him personally.

Along with Hogan, the seven who left with him represented the entire senior management of Motorola's semiconductor division. Only Assistant General Manager Stephen Levy and Marketing Vice-President Thomas Connors stayed on. Since then, some 15 additional professional people have followed Hogan to Mountain View.

## The challenge ahead

Today, Hogan faces a monumental job. He wants to turn Fairchild into a sophisticated builder of electronic

systems based on semiconductor technology. His first task is to straighten out the semiconductor division.

When Hogan arrived at Mountain View on Aug. 10 he found chaos. His first move was to install himself as general manager of the semiconductor division. Tom Bay was offered a job on Hogan's staff but resigned instead. Then Hogan insisted on moving the corporate headquarters from Syosset, Long Island, to Mountain View. This put him closer to the operation; he also prefers California to New York.

Once settled, Hogan found one cheerful note among the bad news. Fairchild's technology was even further advanced than he had expected. He wants to translate the semiconductor division's research leadership into products over the next six months. He will concentrate on six areas in which he thinks Fairchild is ahead of the industry:

- Gallium arsenide, an exotic semiconductor material from which such devices as microwave generators and light emitting compounds are produced.

- Metal oxide semiconductors, devices from which integrated circuits with hundreds of components can be made more easily than by the conventional bi-polar way.

- Complex semiconductor chips in which 800 to 1,000 electronic components are put on a single silicon chip.

- Computer-aided design, with which Fairchild will be able to speed up the critical mask-making operation and thus introduce a variety of new integrated circuits quickly even though they are custom-designed.

- A capability to put a useful device called the Schottky diode onto a complex silicon chip, the most advanced work in the field of large-scale integration. This will increase the flexibility of the products that can be made by the so-called LSI techniques.

- High frequency transistors for use in applications with far greater performance than any currently available.

With such technology Hogan may even be able to repeat the division's earlier success story. Next year, he could have a line of products unmatched in the industry.

But to make it happen, the division will have to produce new products with few rejected parts and deliver them on time. That will take an overhaul of the division. The root of the trouble went back to the days of Charles Sporck.

**New tack.** When Sporck was general manager of the semiconductor division, he decentralized the man-

ufacturing function. Long an admirer of Alfred Sloan's management techniques at General Motors, Sporck gave each manager of Fairchild's six semiconductor plants wide authority to decide which products he would make. Since each manager was evaluated on the basis of the profitability of his plant, the managers chose the products that were easiest to make—those already in production with high yields. Only reluctantly would the managers start new products.

Sporck quit in 1967 when John Carter refused to go along with a reorganization designed to lessen the dependence on functional organization. Sporck felt the division was too big to have just marketing, manufacturing, and engineering departments. He wanted a product-oriented organization—such as that at Motorola—with many product managers, each with marketing, manufacturing, and engineering responsibilities.

Hogan will implement just such a reorganization, probably along the lines of the setup he had at Phoenix. He will also centralize production control. A team that will get information from marketing, manufacturing, and data processing will decide what will be made where.

**Tested method.** While at Motorola, Hogan used such a team approach to anticipate shifts in demand. In October, 1966, for example, when the semiconductor industry was enjoying record sales, Hogan's team foresaw a cloud on the horizon. As other producers stepped up production, Hogan cut back and laid off 1,500 workers.

The slump that hit the industry late in 1966 and lasted through much of 1967 hurt Fairchild and other semiconductor companies severely. But Motorola took advantage of its good inventory position to improve its profitability and launch new products.

The team production scheme also helped Hogan to keep the rest of the industry off balance. By being able to anticipate orders, yields in manufacturing were often raised from 20% to 80%—and Hogan could lower prices unexpectedly.

In an industry whose favorite marketing strategem is price cutting, Hogan continually outdid the rest. His secret was to cut prices to boost volume, but only after his production team had assured him that they could manufacture the product in large quantities at high yield.

In one case, when the industry was offering rectifiers to auto makers for \$8 apiece, Hogan cut the price to 75¢. He knew that the auto indus-

try was tyrannically run by costs, and that if he could satisfy the buyers at the car companies he could get huge orders for the device. Several years later, he was selling tens of millions of the rectifiers profitably at an even lower price.

### Corporate rebuilding

As Hogan performs major surgery on the semiconductor division, he will also tinker with the rest of the corporation.

He has already strengthened the corporate staff, which had atrophied under Carter because he preferred to work without it. Hogan has added three new positions: a long-range planner, a corporate R&D chief who will see that technology developed by the semiconductor division is used through the corporation (both men are from Motorola), and a corporate vice-president of marketing with experience in semiconductors. He also hired a new vice-president of finance, thus partly satisfying the initial desire of Burke and Wharton for a strong financial executive.

Because Hogan will be deeply involved with the semiconductor operation for the next four to six months, he appointed a group vice-president to run the Eastern divisions—thus reversing the geographical management emphasis Fairchild used to have.

**Outlook.** For this year, Fairchild's prospects are not bright. The company will operate in the black, but only because it has sold some divisions. So far in 1968, it has sold off Davidson Div., Memory Products Group, Du Mont Oscilloscope, Precision Meal Products, and its one-third ownership in the European company, SGS-Fairchild. Hogan

## The mastermind behind the coup

To most men, \$5.4-million is an unattainable sum. But Sherman M. Fairchild, who will make a loan that size to C. Lester Hogan, characterizes it as "not costing me very much." He adds: "My Dad said, 'Don't worry about making money for yourself, you don't have to worry. Make the men in the plant rich.'"

Indeed, Fairchild—72 and unmarried—doesn't have to worry about money. His stock holdings, valued at over \$320-million, are so large he cannot remember how many shares he has in his four largest investments.

The bulk of his fortune consists of 509,000 shares of IBM. He inherited a block of stock from his father, one of IBM's founders and its first chairman. Today, Fairchild is IBM's largest single stockholder.

Fairchild is also the largest stockholder in Fairchild Camera & Instrument Co., with 750,000 shares worth \$60-million, and in Fairchild Hiller Corp., with 239,000 shares worth about \$3.8-million. In addition, in the 1950s he helped to finance the start of a company now called Conrac

Corp., and he still holds almost 85,000 shares worth over \$5-million.

**Byword.** Throughout his life, Fairchild seems to have been influenced by his association with IBM. As a young man, the family holdings in the company financed his high living and his dabbings in business and invention. His long service on IBM's executive committee and board of directors (since 1925) obviously influenced his approach to management.

He was dissatisfied, in part, with the former Chairman John Carter and President Richard Hodgson of Fairchild Camera because neither was as committed to long-range planning as IBM is. Fairchild used to annoy Carter by prefacing many conversations with, "At IBM, we do it this way."

His philosophy as a chief stockholder has always been to hire a strong chief executive who was then allowed to run the company without outside interference. Looking back over the past two years, he now concedes he procrastinated and let Carter go too long without a rein.

plans to go it alone in Europe.

Hogan is not worried about the short term; his eye is on the long term—at least five years out. His goal is to double the sales of the semiconductor division over the next 18 months. And he wants to improve

the profitability of Fairchild so much that its stock will at least double in five years.

That is exactly the kind of leadership that Sherman Fairchild and his associates looked for during the long, hard year just gone by.

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