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Interview with Peter Pyclik, President of The Faxon Company

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Once Again with Davis

An Interview with Peter Pyclik

President of The Faxon Company
By Your Intrepid Editor (Katina Strauch)

Okay. I heard about the Davis-Rowe split up just like you did. I learned that Faxon would talk to Against the Grain and tell us what we can expect in the future. Jim Smith was incredibly gracious. So were a lot of other people — like Tim Turner, Mike Markwith, Pauline McGee, Ron Akie, Joel Baron, Carol Peck, Kevin Butler, Kris Nordlie, Diane Appleton, Gail Howell. I could go on and on.

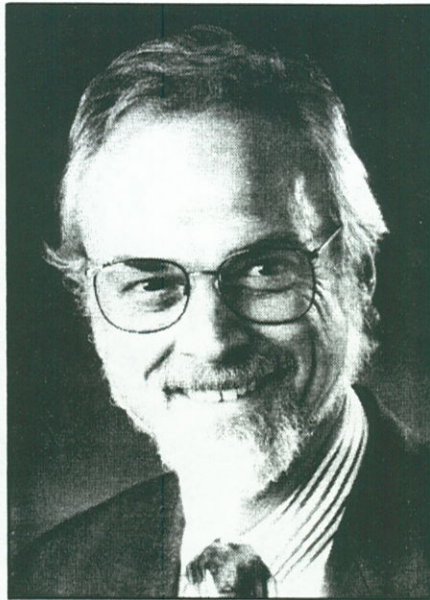
The mood in Westwood on December 17 was festive. There were holiday decorations everywhere — Christmas trees, cards, goodies. I put my tote bag down in a room decorated with multi-colored beads hanging from the ceiling.

I spent the morning talking to all kinds of people who work at Faxon and learning more about the company and their plans.

The afternoon was devoted to my interview with Peter Pyclik. (pronounced pix-lick) He walked in without fanfare. I had heard about him from many people and I had glimpsed him from afar, but I was not prepared for the man who greeted me. He was soft-spoken, calm, direct, and incredibly forthright and honest. During the interview, I was overcome with a tremendous sense of confidence in Faxon and the new President they have chosen. I will do my best to do his eloquence justice.

ATG: We understand that a Massachusetts Probate Court has named Judy Davis sole voting shareholder, that there is a new board of directors, and that you have been named president of The Faxon Company as of November 24, 1993. Everyone is relieved that the dispute has been resolved. Would you tell us why Davis and Rowe went to court (besides divorce), i.e., about the ownership dispute, how the shares were divided, and exactly how the judge ruled? Was there a dispute between Davis and Rowe about how Faxon was being run that contributed to their marital problems?

PP: The court decree awarded 100%



of the voting stock to Judy Davis thereby insuring Judy's control of the Faxon Company. This change in ownership also led to the formation of a new board consisting of Judy Davis, Albert Davis, Jr. (Judy's father) and myself. It is clear that this board will be expanded to include other people from outside Faxon — individuals with a broad business and financial expertise. Specifically, we want

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to focus the board's attention on all aspects of service delivery. Equally important, of course, is the financial health of the company; in this context, the board needs to play a very active role in reviewing our long term strategies as well as the wisdom of investments. Finally, we need people on the board who are in tune with the converging communications and computing technologies; we need this perspective to help us evaluate Faxon's role and opportunity in the rap-

idly changing information service industry.

You asked about Faxon and the management of the company as a possible contributing factor to the divorce. Obviously, it is not my place to speculate on the personal differences between Dick and Judy. I have worked with both of them over the past five years and know them well in this setting. In this context, I have experienced subtle differences between their approaches. Judy is more focused on the core business, on its base operation and the investments necessary to support a cost effective infrastructure. Dick on the other hand took the “ice business” analogy (which he used in his June interview with ATG) very seriously. This is to say he was determined not to assume that our current business — the subscription business — would last forever. Based on this perspective Dick pursued a pattern of investments intended to produce new revenue streams. The focus and size of these investments did become a point of dispute between the two owners and this fact could not be kept hidden from the rest of the company.

ATG: It's safe to say that Dick Rowe was known in the library world as Mr. Faxon to most of us. Now he is ousted. Dr. Rowe was considered a visionary by many of us, but also somewhat unpredictable. What are his plans for the future? Will the library world see more of him? In the coming year would you say that Faxon will be stable, visionary or predictable?

PP: You must realize that I am the wrong person to ask what Dick Rowe may do in the future. I can only speculate on his plans based on what I know his interests to be. He has been involved with public service and currently is a member of the Board of Education in Massachusetts. At the time of the Clinton election there was speculation about Dick pursuing his interests at the federal level, and I can well imagine that being a possible direction for Dick to pursue. He

may want to continue to talk about his vision and in that context spend time writing. Of course, I would not rule out the possibility of Dick's launching some new business venture.

Now let's explore the identification of Dick Rowe with Faxon. Clearly, an organization is more than its leader and my experience has been that clients ultimately measure the value of a business relationship in terms of the quality and cost of the service. The real question is what is an appropriate vision for Faxon and mine is different from Dick's. Faxon has, over the past several years, pursued several directions without the benefit of a coordinated strategy. We have focused on our impending obsolescence and scrambled to catch the electronic information wave while at the same time pursuing an opportunistic, albeit ad hoc, acquisition strategy that has substantially increased our stake in the traditional subscription business.

With this perspective in mind let me try to answer your question about Faxon as a stable, predictable or visionary company. First of all, stability and vision are by no means mutually exclusive. Indeed, both are necessary ingredients of a well-managed company. Faxon needs to pursue a practical vision, focused on the real client and their changing needs, rather than a "virtual" client who inhabits a future electronic world of ubiquitous information services. If I am allowed to provide an alternative analogy to that of the "ice business," I would suggest that we need to focus on designing and engineering refrigeration systems rather than looking for the business opportunity where food is obsolete and nutrients are dispensed in pills.

As it turns out, my activity at Faxon has been largely focused on such an engineering task — we have rethought our entire business process to insure a service delivery platform that can change with the client by adding value where it is expected. In effect, the Faxon Company has to remain committed to a client orientation and pursue its re-engineering efforts with an eye on results — the best possible service at a fair price. Internally this must translate to consistent quality at a low cost. Now, this vision may lack glamour, but I believe it will stand the test of the marketplace.

ATG: You have spoken about Faxon's "core business." How exactly would you define Faxon's core business?

Will Faxon be less global and more U.S. oriented in the future?

PP: Every organization in the U.S. as well as elsewhere around the world is having to focus on core competencies and the infrastructure — process and technology — that support these. In this context, Faxon's core competence is captured in our unequaled capacity to direct clients to published information anywhere regardless of medium. Note that this statement is meant to be inclusive; it is not limited to journals. In effect, we cannot only direct clients to the most appropriate source but complete a purchase and a delivery. What I am describing is not solely a subscription agency function but more of an information switching service, which like other communications switches, creates useful connections in high volume transactions.

Faxon cannot expect to grow this core

“ . . . this vision may lack glamour, but I believe it will stand the test of the marketplace.”

competency solely by the reinvestment of available resources. Rather, I see our future being shaped by a variety of relationships and partnerships with other players in the information service industry. I see us able to create strong alliances which, in their complementary nature, will benefit all parties and principally the client. What is important in this implementation is discipline; we need to be clear about what we are good at and that may be the unglamorous, largely invisible, back room operation that supports the voracious appetite for information.

With regard to our global presence, the focus on core competencies takes on a somewhat different meaning. We need to be clear that planting the Faxon flag everywhere is costly and likely to misdirect resources away from growth markets and high yield potential markets. This is to say, Faxon will continue to be an international player; we will benefit from a strategy whereby we balance our activities in mature markets with the aggressive penetration of new markets; we can extend the life cycle of services and products by operating globally. The key is to know, as the saying goes, “when to hold them and when to fold them.”

ATG: You are so honest and calm, it is almost startling. What is your background?

PP: I suspect that everyone who has experienced a turbulent professional life, and mine certainly has been that over the past year, will eventually see the wisdom of speaking with directness and frankness. The opportunities for misunderstanding simply become overwhelming when one is not direct and honest.

You are asking me to describe myself and I have always found that difficult to do. I am an intensely private person and shy to boot. I am also reflective and analytical and often misunderstood as aloof. Others observe me as calm and becoming calmer as the situation becomes more frantic. I would want to add that I tend to be practical and pragmatic and those attributes are not redundant. Indeed, I think that I was able to work with Dick Rowe successfully because I was his practical anchor; while Dick grabbed for the stars and tried to bring them to earth, I focused on efficient and effective service delivery.

ATG: How about profit? What will happen to Faxon's subsidiary companies — Turner, FRS, PCG, as well as Faxon Europe, Canada, and Asia Pacific? Are these all of Faxon's subsidiaries? Are these profit driven companies and if they do not turn a profit will they be sold? How important is profit to Faxon in the future?

PP: Faxon is a for-profit company and needs to be managed as such. This is not to say that Faxon is exclusively motivated by profit and indeed, we have always taken our social responsibility very seriously. You may want to pursue this discussion with Judy Davis as well and you will find that I echo her sentiments.

Will we get rid of activities or enterprises if they are not profitable? In principle the response has to be, why would we not. There are, of course, instances where profitability is not the only measure of contribution and Faxon has and will continue to stake out our markets with the expectation of future rewards. At the same time, Faxon has a great opportunity to rationalize its global operations around a common infrastructure. We will open, close and merge offices and operational centers if our busi-

ness analysis shows that to be a good decision.

It is equally important for Faxon to manage its profitability by monitoring

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the impact of new technologies. We can't do things for which we are too late; we can't be in the middle of a foot race and in the pack of uninteresting finishers. We simply do not have the resources to spend on initiatives that are truly peripheral to our core competency. This, again, is the opportunity for new relationships as we join others in the formation of an integrated service portfolio on behalf of clients.

ATG: Is FRS for sale? There seems to be little question that this is one of Faxon's most costly recent endeavors.

PP: We have spent considerable resources on Faxon Research Services and FRS has developed services that are, in my mind, good examples of the information switch strategy — table of contents and document delivery are simply the logical extension of journal subscription and distribution. The Finder database of table of contents is unique in its quality but is very much like other such services in terms of the function it serves. Indeed, table of contents services once thought of as an end service have generally become means to other ends. The question then is, does FRS retain strategic value for Faxon and I believe the answer is yes. As I have already said, it becomes a natural extension of our title file.

Document delivery is a somewhat different issue. The economies of document delivery are volume driven and thus, I suspect, there are too many of us going after the same market. I think this is an area where partnerships make sense and I believe we can benefit the client by increasing the availability of materials while reducing the cost.

Coming to your question of selling FRS I can only suggest that if Faxon needed to generate cash to reinvest in the company, it seems far more logical to review our agency business.

ATG: Does Faxon need cash?

PP: I will interpret your question to mean does Faxon need cash immediately or risk bankruptcy. The answer is clearly no. Faxon does not need more cash than it has already available to continue in business.

ATG: How about the credit line of Faxon and the fact that you obtained credit not from the banks but from 30 international publishers at a recent meeting in Europe. Would you comment on this? It is hard to believe that Faxon could not get credit with banks and also a little disquieting. And why would the publishers help Faxon?

PP: Faxon has for many years negotiated a seasonal line of credit. The simple reason Faxon requires such credit is that for a period of time each year we are making payments to publishers in excess of cash coming in from clients. We typically borrow in December and have repaid the loan by June. The negotiations for this credit instrument typically take several months. This year our discussions with banks became complicated by the fact that the ownership and control of the company were in dispute. As a consequence, our work with banks and their “due diligence” process could not start until after the divorce and ownership decree was issued, that is to say late November. Clearly there was insufficient time to bring these conversations to closure and secure the credit line to meet scheduled payments to publishers. To net this out, we are dealing with a timing issue and not a financial issue, if by the latter we mean banks being unwilling to extend credit. Indeed, we have now finished the due diligence process and expect to have the line of credit in late January, on schedule if you allow for the delay at the beginning of this transaction period.

Your question about publishers extending credit to Faxon needs to be cast in the context of my previous comments about the timing of the line of credit. When it was apparent that we would not be able to meet the time frame of scheduled payments to publishers we started an initiative by which we offered some 30 international publishers an installment plan. What we are offering is an up-front payment at the customarily scheduled time with equal monthly installments for the remaining balance. After the line of

credit is in place this installment plan will be accelerated.

We have been in almost constant touch with publishers and have found their supportive attitude very gratifying. Remember, too, that all the other thousands of publishers have already been paid in full.

ATG: Tell us more about the finances surrounding Faxon. You did not show a profit this past year, is that correct?

PP: We did not show a profit this past year and the explanation is rather simple. We have incurred re-engineering costs, we have expended resources in acquiring agencies in Europe and Canada, and we launched the Faxon Research Service group. Combined, these initiatives represent an aggressive expansionary strategy that stretched our capacity to fund such ventures through profits generated by our operations. Obviously, this is not a good situation but happily, it is an eminently manageable situation. This brings me back to my earlier comments on focus and the need to be disciplined about investments in our core competencies. We have already taken steps to manage our way out of this situation. Specifically, we have taken cost cutting measures; we are finishing the re-engineering project this winter; and we will continue to evaluate the potential and profitability of all our operations.

ATG: Tell us about Judy Davis. She's a bit of a mystery woman. Since she's now the sole voting shareholder of one of the largest subscription agents in the library world, can you tell us something about her. Why has she chosen not to be President of Faxon?

PP: Let me reflect on my experience working with her, hoping that this will give you a better understanding of Judy.

“My father expected me to be an engineer and I complied with his wishes for as long as I could stand.”

She has grown up with this business and it shows; she has a detailed knowledge and understanding of Faxon's activities. Her interests are inclusive ranging from

technology to finance to operations to marketing. Furthermore, I have always been struck by the fact that Judy's perspectives of Faxon are best understood in the context of a long term commitment to this organization and the clients it serves. More specifically, Judy understands Faxon as a library service company and is thus, supportive of the technology requirements of such a business.

Obviously Judy does not strike me as a mystery woman at all. Quite the contrary, Judy is accessible, clear thinking and very articulate about her expectations for Faxon. She is, however, not particularly interested in a more public role and has thus, chosen not to take on the role of President. Rather, she provides direction and exerts influence on the company through her responsibilities as Vice President for systems as well as through her board membership. I believe we make a good team with very similar perspectives and complementary skills.

ATG: You must have survived a lot to have been in the middle of a contested divorce between two very strong people. We have heard you described as "political" as well as "reliable." Pretend that you are a disinterested party writing about yourself. To what do you attribute your success?

PP: During my entire tenure at Faxon I have worked for Dick and Judy has worked for me. Thus, from the outset my situation was unique and demanding. I believe that I was able to be successful because, in spite of growing differences of opinion, I was able to retain their respect. As the divorce proceedings wore on and the company became polarized, my own role became clearer to me. Specifically, I came to believe that I could best serve both owners by remaining focused on the well-being of the company, whatever impression Dick or Judy may have had of my opinions. In fact, I was unwilling to take sides although offered opportunities to do so. Over time, of course, it became increasingly apparent that, in principle, my perspective was more closely aligned with that of Judy. This development, however, was the result of converging analysis of business requirements rather than an opportunistic grab for power. I can honestly say that I have derived no pleasure out of the resolution of these proceedings and see my present role as an

extension of my commitment to Faxon rather than the personalities behind it.

ATG: Before we stop, can you tell us about yourself? You are an incredible mix of practical and theoretical thinking.

PP: My father expected me to be an engineer and I complied with his wishes for as long as I could stand. Eventually I found this discipline too confining and set off on a different path which led to

"I have worked in not-for-profit settings and have developed a respect for the rigors of the for-profit world of business."

my writing my doctoral dissertation in the field of political theory. I cut my academic career short, after four years of teaching that is, and aimed at a professional degree in architecture and urban planning. While pursuing course work in policy analysis, I ventured into the world of computers and was drawn into systems analysis and design. This tangent led to a growing interest in business and management, an MBA and a series of jobs requiring the design and implementation of service delivery systems. I have worked in not-for-profit settings and have developed a respect for the rigors of the for-profit world of business.

At a more personal level, I am married and have two daughters, 7 and 12. My wife works in the health care industry as a business developer and is presently completing a project involving a large extended care facility.

Update on FRS As We Go to Press

As we go to press, we have learned that **Scott MacFarland**, President of **Turner Subscriptions**, a wholly-owned subsidiary of Faxon in New York, has assumed additional responsibilities for management of **Faxon Research Services, Inc.** With Mr. MacFarland's appointment, Faxon has also appointed **Janice Marks** as Product Manager to coordinate ongoing development of **Faxon Finder Services** for Faxon's U.S. and International Marketing Group. **Peter Pyclik** says these appointments are part of a strategic business plan aimed at improving services to clients, de-layer management, and lower operating costs. Current management positions at FRS are being restructured. **Mark Krellenstein**, **Susan Stearns**, and **Christine Lamb** are to be leaving the company in the near future. The subsidiary's staff and offices will remain in Cambridge and continue to provide expanded services for Faxon library clients and database providers as well as article document delivery to users on demand. ☞

I grew up in South America and was raised bilingual, my parents speaking their native German. I moved to Germany to start my undergraduate studies and eventually came to the United States in the 1960's. My sister followed a similar path but hers ended up in Paris where she lives with her two sons.

ATG: What do you read? And what do you do for fun?

PP: Of the books I have read lately I have enjoyed none more than *The English Patient* by Michael Ondaatje. It is a lyrical book capable of transporting you to a realm of senses and experiences that is really quite wonderful. On a more pedestrian but no less exciting plane, I enjoy murder mysteries and with that enjoyment in mind I recently read P.D. James' *The Children of Man*. It turns out not to be a murder mystery at all. Rather, it seemed to me to be a Christmas story culminating in the birth of a new generation. On a business level I recently read Michael Hammer's *Reengineering the Corporation, Manifesto for Business Revolution* as well as James Brian Quinn's *Intelligent Enterprise*. These are rather complementary discussions of business challenges faced by the Faxon Company.

For fun I work in the garden, promise to take up sailing again, wish for some undisturbed time to dedicate to my drawing interests, and play computer chess at the unskilled level so that I can have the satisfaction of winning.

ATG: Well, y'all, that's about all we had time for. I don't know about you, but I think that Faxon's in good hands and has a great future in store. In the meantime, Happy New Year. — Yr. Ed. ☞