

Handwritten initials

June 6, 1983

THE

Price \$1.50

NEW YORKER

Riboud, Jean

and Schlumberger





P R O F I L E S



A CERTAIN POETRY—I

FROM the windows of Jean Riboud's New York office, on the forty-fourth floor at 277 Park Avenue, one can see the buildings that house the headquarters of such corporate giants as Warner Communications, Gulf & Western, Citicorp, International Telephone and Telegraph, Colgate-Palmolive, United Brands, Bankers Trust, CBS, RCA, and International Paper. All of them are better known than Schlumberger, Ltd., the company that Riboud is chairman and chief executive officer of, but none of them can match Schlumberger's profits. In stock-market value—the number of outstanding shares multiplied by the price per share—only three companies were worth more than Schlumberger at the end of 1981.

They were A.T. & T. (forty-eight billion dollars), I.B.M. (thirty-four billion dollars), and Exxon (twenty-seven billion dollars). Schlumberger was then worth sixteen billion dollars.

Riboud has offices in New York and Paris, and both are rather ordinary except for the art on the walls—works by Picasso, Klee, Max Ernst, Magritte, Jasper Johns, Victor Brauner, Janez Bernik. His New York office is a snug corner—sixteen feet by twenty—with beige walls. An adjoining conference room, seventeen feet by eighteen, has one couch and a round wooden table with six chairs. Riboud's office has a single telephone with just two lines, and no private bathroom; there are white blinds on the windows, and a simple beige sisal carpet on the floor. His desk is a long, rectangular teak table with chrome legs; on it are a few memorandums but no "in" or "out" box and no books. His personal New York staff consists of one secretary, Lucille Northrup, to whom he rarely dictates; memorandums and paperwork are frowned upon at Schlumberger, and when Riboud wants to send out a memorandum he first writes it in longhand. His Paris office is equally uncluttered.

Riboud is sixty-three years old. He is five feet ten inches tall and slight of build, with wavy gray hair combed straight back. His nose is long and



thin, his lips are narrow. His suits come in conservative shades, and his shirts are usually quiet solid colors. He speaks softly, sometimes almost inaudibly, in accented English, rarely gesticulates, and is an intense listener, usually inspecting his long fingers while others speak. Everything about Riboud conveys an impression of delicacy except his eyes, which are deep brown and cryptic. He arrives at work around 10 A.M., and he takes at least six weeks' vacation annually. Yet he is no figurehead; rather, he believes in delegating authority—a principle that no doubt accounts for the calm of Schlumberger's offices in New York and Paris. Schlumberger employs seventy-five thousand people, and of that number only a hundred and ninety-seven work at the two headquarters.

In many respects—some obvious and some not so obvious—Riboud is not a typical business executive. As a young man in Lyons, he flirted with Communism and railed against Franco, Fascism, and the French establishment, including the Roman Catholic Church. During the Second World War, he joined the Resistance; he was captured in 1943 and sent to Buchenwald. Two years later, when he emerged, he had tuberculosis and weighed ninety-six pounds. Riboud will talk about his wartime ordeal only with great reluctance. He has never

discussed it with his wife, Krishna, who was born in India, or with his closest friends, who, over the years, have included the writers Lillian Hellman, A. J. Liebling, Jean Stafford, and Langston Hughes; the artists Max Ernst (Riboud is the executor of Ernst's estate), Victor Brauner, Robert Rauschenberg, Saul Steinberg, and Roberto Matta; the photographers Henri Cartier-Bresson, Robert Capa, and David (Chim) Seymour; the composer John Cage; the filmmaker Roberto Rossellini and the film historian Henri Langlois, who founded the Cinémathèque Française, the world's first film museum; and a procession of important political figures on the French left, including former Prime

Minister Pierre Mendès-France, the writer and editor Jean-Jacques Servan-Schreiber, and President François Mitterrand. The one friend he has discussed his wartime experiences with is the American poet and critic Charles Olson, who dedicated his 1950 prose poem "The Resistance" to Riboud, and who also served as best man at Krishna and Jean Riboud's wedding.

As the chief executive of a multinational corporation—Schlumberger does business in ninety-two countries—Riboud has a somewhat surprising talent for avoiding publicity. He is a stranger to most other corporate executives, deliberately keeping his distance from them. He sits on no other company's board of directors. He seldom ventures from his office for lunch or from his home for dinner. If he does accept a dinner invitation, his host may find him sincere, solicitous, charming—and realize later that he has volunteered virtually nothing about himself. When he goes on business trips, he prefers to stay with friends rather than at hotels. Riboud sometimes vacations at a house he owns in the Arizona desert and, more frequently, at his family's estate—a chateau near the village of Ouroux, in the Beaujolais region.

Riboud, who says that he remains loyal to the socialism of his youth, has been the chief executive of Schlum-

berger for the past eighteen years. Because the corporation does no mass advertising, of either the consumer or the institutional sort, because it retains no lobbyist in Washington and no public-relations agency in New York or Paris, and because it has never been involved in a public controversy, Schlumberger (pronounced "shlumbare-zhay") remains one of the world's lesser-known major corporations. It is a high-technology company that generates the bulk of its income from the oil-field-service business—making tools that enable oil companies to find and drill for oil with great precision. The information gained and the techniques learned in oil-field services have helped the company to expand into such fields as electric, gas, and water meters; flight-test systems; transformers and semiconductors; automatic test equipment for integrated-circuit chips; electronic telephone circuits; computer-aided design and manufacturing processes; and robotics. Schlumberger is recognized on Wall Street as one of the world's best-managed multinational companies, and financial analysts can point to a number of facts to document its success. Its net income has grown by about thirty per cent in each of the past ten years up to 1981. Its earnings per share rose by more than thirty per cent annually between 1971 and 1981, even though the price of oil remained stable or declined in several of those years. Its profit in 1982 totalled one billion three hundred and fifty million dollars on revenues of six billion two hundred and eighty-four million, for a profit as a percentage of revenue of twenty-one per cent—higher than that of any of the thousand other leading industrial companies in the world. Its return on equity in 1981 was thirty-four per cent, while the median for the Fortune 500 companies was thirteen and eight-tenths per cent. Schlumberger has relatively little long-term debt: it amounted to just four hundred and sixty-two million dollars at the end of 1982, or three per cent of the company's total capitalization. And while the profits of most oil and oil-field-service companies

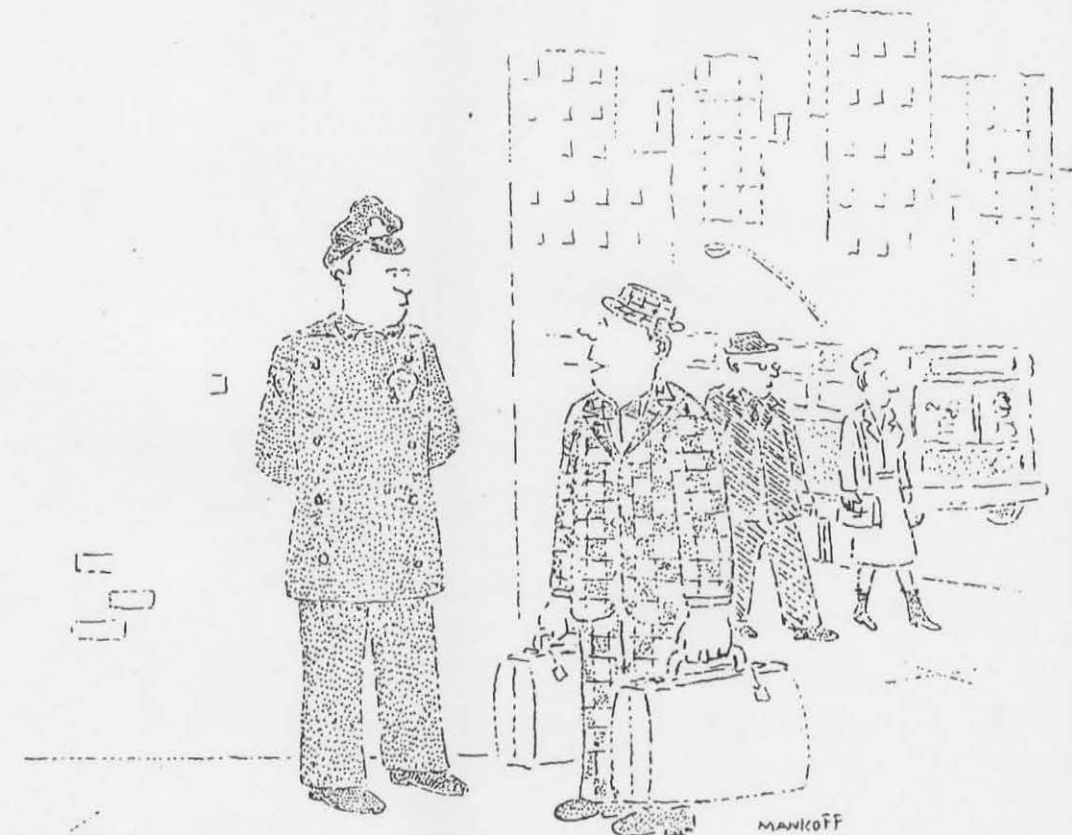
fell sharply in 1982, Schlumberger's net income rose by six per cent.

SCIENCE is the foundation of Schlumberger. Science is the link between the various corporate subsidiaries, for the task of most of them is collecting, measuring, and transmitting data. Science, and particularly geophysics, was at the core of the careers of Conrad and Marcel Schlumberger, the company's founders. Both were born in the town of Guebwiller, in Alsace—Conrad in 1878 and Marcel six years later. They were two of six children of a Protestant family that owned a prosperous textile mill. Their mother, Marguerite Dewitt, was a feminist who was head of the International Woman Suffrage Alliance after the First World War. Their father, Paul, was a visionary with a rocklike faith in science and in projects like the Suez Canal, in which he was an early investor. A great-grandfather, François Guizot, was Prime Minister of France from 1840 to 1848, during the reign of Louis Philippe.

Conrad Schlumberger, who opposed the First World War, was a dreamer and a pacifist; he thought of himself as a socialist, and was a financial backer of the French Communist newspaper

L'Humanité. His great passion, however, was science, and in 1893 he left home to study physics at the École Polytechnique, in Paris. After graduation, he taught physics at the École des Mines, in Paris, while trying to figure out how to use electricity to make measurements of the earth's subsurface—something that had never been done. His brother Marcel was more an "adapter" than an inventor—a tough-minded, pragmatic man with absolutely no interest in politics, who went to Paris to study civil engineering at L'École Centrale des Arts et Manufactures. Conrad was outgoing and passionate, and a scientific genius. Marcel was shy and cautious, and a shrewd businessman. Still, the two brothers were close.

Paul Schlumberger, seeing his sons' complementary talents, and frustrated because the textile factory had sidetracked his own scientific ambitions, abandoned the business to his brothers, packed up his family, and moved to Paris to be near Conrad and Marcel. He persuaded them to merge their talents and form a partnership with him, to pursue Conrad's theory about measuring the earth's subsurface. He would provide as much as half a million francs to support the undertaking. On November 12, 1919, the three men



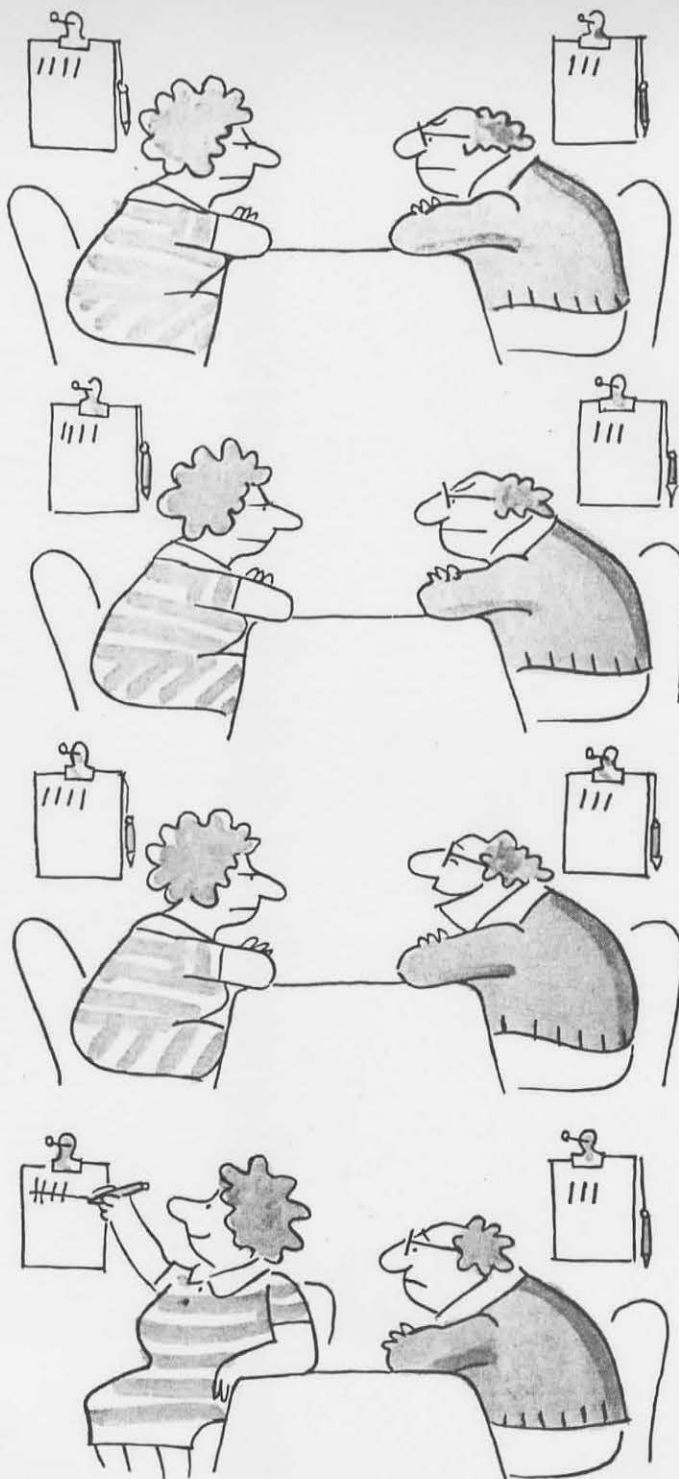
"Scuse me, Officer, but where do the élite meet to eat around here?"

signed an agreement, written by Paul Schlumberger, that said:

For their part my sons agree not to dilute their efforts by working in other areas. . . . In this undertaking, the interests of scientific research take precedence over financial ones. I will be kept informed of, and may give my opinion on, important developments and the necessary expenses required. The money given by me is my contribution to a work primarily scientific and secondarily practical. . . . Marcel will bring to Conrad his remarkable ability as an engineer and his common sense. Conrad, on the other hand, will be the man of science. I will support them.

Over the next several years, relying on Conrad's scientific creativity and Marcel's practical engineering skills, the Schlumberger brothers pursued Conrad's theory that by charting the electrical resistivity of various rock formations and then comparing the patterns they would in effect be able to draw a picture of what lay beneath the earth's surface. The theory proved correct, and the brothers made the first discoveries by surface electrical measurement of iron ore, copper, and an oil-producing salt dome. In the mid-twenties, however, there was no demand for their services, so the partners took no salary, lived modestly, and counselled their employees—they had five when they started—to be patient.

Their breakthrough came in 1927, when a director of the Pechelbronn Oil Company, in France, asked whether their technique could be used in searching for oil, which usually migrates through such porous rocks as limestone and sandstone until it is trapped by impermeable rock. Ever since the first oil well was drilled, in 1859, oil companies had longed for a technology that would help them find oil. Initially, prospectors had to painstakingly extract core samples and drill cuttings from rock



formations, haul them slowly to the surface, ship them to a laboratory, and await a chemical analysis. This tedious, expensive process enabled the oil companies to determine whether there was oil in a given area, and even to determine its quality, but not its precise quantity, or the exact shape of the well, and it did not enable them to pin-

point where to drill. Conrad, having discovered a new geophysical principle, assigned the job of fashioning a tool and testing it to Henri Doll, who was a brilliant young engineer and also the husband of Conrad's daughter Anne. Doll's task was to chart the electric current as it encountered various kinds of rock, water, and oil. By comparing the actual current coursing through the earth with records showing the electrical resistivity of each substance, the brothers and Doll hoped to produce what amounted to the world's first X-ray of an oil well. Their site was selected—a small oil field at Pechelbronn, in Alsace, not far from where the Schlumbergers had grown up. The crucial test took place on a clear day in late summer. In a battered station wagon, Conrad Schlumberger, along with Doll and two other engineers, went to the site. They attached a measuring device called a sonde to a cable and snaked it down into a fifteen-hundred-foot hole. In an oral history of Schlumberger prepared by the company in 1977, Doll described the device that was to transform the oil business:

We made a sonde by connecting four metre-long sections of Bakelite tubing together by means of short lengths of brass tubing, fastening them to each other with brass screws. The electrodes were wired to the Bakelite tubes. We contrived a weight, or plummet, for the bottom of the sonde, making it of one metre of brass tubing, four centimetres in diameter, and filling it with lead pellets like those used in duck shooting. It was plugged at both ends and weighed about 25 pounds. The whole assembly looked like a long black snake with five joints.

The cable, if you could call it that, was three lengths of rubber-insulated copper wire, like the kind used on spark plugs in cars. It had a tensile strength of about eighty pounds per wire. The wires weren't spliced together, as was done in later

surveys, but were allowed to wind onto the winch drum loose from each other.

The winch had an X-shaped wooden frame; the drum was made with wooden flanges, and the core of a large Bakelite tube. It was assembled by long brass bars and nuts. To turn the drum, we had a big pinion connected to a smaller pinion by a motorcycle chain. The moving axle was steel, with a bicycle pedal mounted at either end. One of us would get on one side and one on the other, and turn the pedals. There was a ratchet to keep the drum from unwinding.

We had no collector. Instead, we had a plug, much like a common wall plug, at the side of the winch flange. When the winch had to be turned, the cable connection to the potentiometer was unplugged so the turn could be made. Then the cable was plugged back in so that we could make the readings.

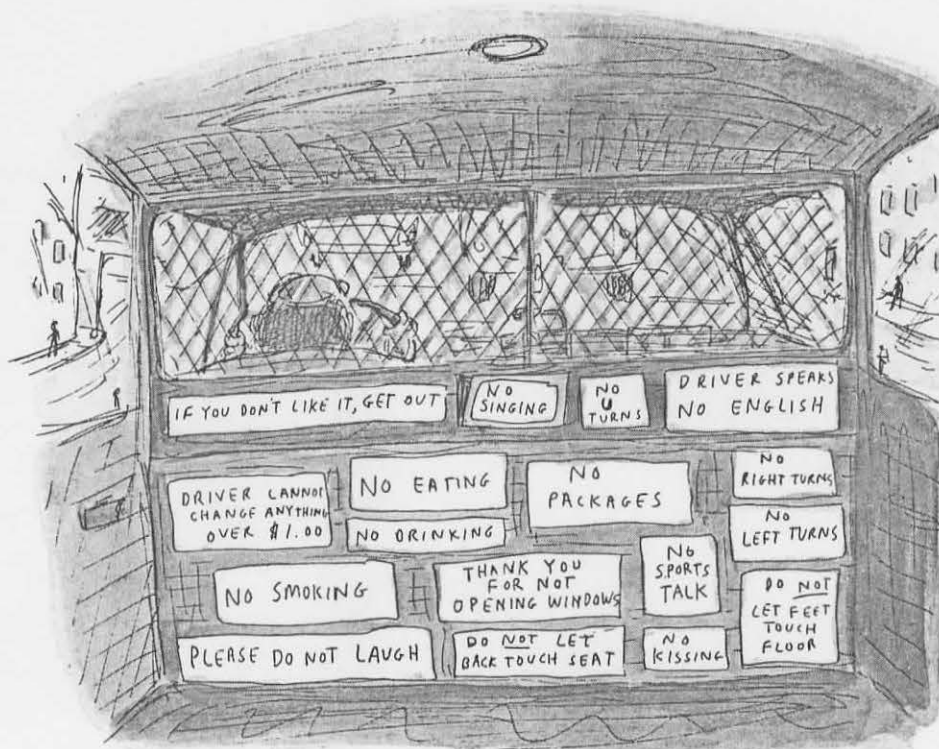
The sheave was made of wood with an eccentric axle. It had a long tail as a counterbalance. This served as our strain gauge. We were very worried about the wires breaking, and by watching the rise and fall of the tail, you could tell what kind of pull was being exerted on the wires. For depth measurement, we had a counter on the sheave wheel like the mileage indicator on a car. We planned to take readings at intervals of one metre.

We made our measurements with a standard potentiometer mounted on a tripod like those we used in our surface exploration work.

To take the measurements, one of the men unplugged the connector, one turned the winch, one ran up on the rig floor to inspect the counter on the sheave. Doll wrote down the measurements and depth readings on a pad. They hurried to unplug, roll up the cable, and rush to the next point, where the process was repeated—one metre at a time. At the end of the day, exhausted and caked with mud, they went to a nearby village to bathe and celebrate. Doll returned to Paris, where he plotted the various readings on graph paper. On September 5, 1927, Doll produced the first electrical-resistance log.

Doll and the Schlumberger brothers were ecstatic, expecting oil companies to line up for the services of their company—the Société de Prospection Électrique, known as Pros. That did not happen. French oil companies were wary of turning over their secrets to an outside service company, and non-French companies suspected that these three unknown Frenchmen were quacks. Two fallow years passed before the Schlumberger brothers captured their first major client—the Soviet Union. For Conrad, it was like a dream come true. He had believed in the Communist Revolution, and now he felt vindicated. A Communist government—the only one in existence—was

CAB FROM HELL



looking ahead, unsuspecting, unparochial. Several years later, American oil companies began to follow suit.

Today, the tools are more refined, but the basic process—wireline logging, as it came to be known—is a measurement taken on just about every oil or gas well drilled in the world. And today, without benefit of a patent on its basic logging process, Schlumberger—as the original partnership was renamed in 1934—has a near-monopoly on this business, logging some seventy per cent of the world's wells. In the United States alone, in 1981 the company hired one per cent of all the engineers graduating from American colleges.

Over the years, Schlumberger's oil-field business has expanded beyond logging measurements to include a broad range of other services: drilling, testing, and completing wells; pumping; cementing. The company's Forex Neptune subsidiary, formed in the nineteen-fifties, is now the world's largest oil-drilling company. The Johnston-Macco and Flopetrol subsidiaries provide an assortment of testing and completion services after drilling has started. A subsidiary called The

Analysts provides continuous detailed logs of oil wells from the moment drilling begins, in contrast to most logs, which are prepared only before drilling begins or after it ceases. The Dowell Schlumberger company, which is jointly owned by Schlumberger and Dow Chemical, offers pumping and cementing services. Together with the Wireline division, these companies make up the Oilfield Services—one of two major parts of the Schlumberger empire. The other major part is known as Measurement, Control & Components. Its subsidiaries include the world's largest manufacturer of electric, gas, and water meters; a leading manufacturer of transformers; a producer of valves and safety controls for nuclear power systems; and a manufacturer of flight-control and signal-processing systems for aerospace and military use. The Fairchild Camera & Instrument Corporation, a California-based semiconductor company that Schlumberger acquired in 1979, manufactures, among other products, integrated circuits such as microprocessors and memories; advanced bipolar microprocessors for the F-16 fighter plane; and electronic telephone

circuits. Applicon, another subsidiary, is among the pioneers in computer-aided design and other efforts to automate factories.

Schlumberger has a total of forty-three major subsidiaries, most of which rely on science and technology. The jewel in Schlumberger's crown is the Wireline, which in 1981 generated forty-five per cent of the company's six billion dollars in revenues and about seventy per cent of its one billion two hundred million dollars in profits. Many of Schlumberger's subsidiaries rank at or near the top of their various industries. The investment banker Felix Rohatyn, who serves on the boards of eight major corporations, including Schlumberger, and is a close friend of Riboud's, says, "By the standard of profit margins, return on investment, compound growth rate, of remaining ahead of the state of the art technically and having an efficient management structure, over the last twenty years—until the recent drastic change in the energy environment—Schlumberger might well have been the single best business in the world." Rohatyn's enthusiasm is shared by independent analysts at the major Wall Street brokerage firms, and their judgment has been reflected in research reports issued by, among others, Morgan Stanley, Merrill Lynch, Paine Webber, Wertheim, L. F. Rothschild, Unterberg, Towbin. An analysis issued by Barton M. Biggs, managing director of Morgan Stanley, in January of 1982 reads, "Here is this immense, superbly—almost artistically—managed company booming along with a thirty-five-per cent compound annual growth rate in earnings and thirty-seven per cent in dividends between 1975 and 1980. . . . Our analysis of earnings variability from growth trend shows Schlumberger as having the most consistent, high-growth track of any company in the 1,400-stock universe of our dividend discount model."

Even though Schlumberger is a competitive company devoted to ever-higher profits, over the years its executives have shown a predilection for the politics of the left. Paul Schlumberger urged his sons to share the profits of their company with employees. He financed his sons only on the condition that "the interests of scientific research take precedence over financial ones." Conrad was a pacifist and a socialist until Stalin's Russia disillusioned him. René Seydoux, the husband of Marcel's daughter Geneviève, who ran Schlumberger's European wireline operations,

and to whom Riboud reported after Marcel's death, in 1953, was an ardent and active supporter of the French Socialist Party. Jean de Ménil, who supervised all South American operations in the period after the Second World War, supported various liberal causes in the United States. Along with his wife, Dominique, a daughter of Conrad Schlumberger, de Ménil became a major financial contributor to Martin Luther King, Jr., and the American civil-rights movement. And in 1981 Jean Riboud, as an intimate of President Mitterrand, supported the Socialist government's proposed nationalization of forty-six enterprises.

Riboud is a man of contrasts. He is a hugely successful capitalist, with an annual salary of seven hundred thousand dollars and Schlumberger stock worth about thirty-three million dollars, yet he calls himself a socialist. He loves business, yet most of his friends are from the worlds of art and politics. He was born into a French banking family in Lyons, the historical birthplace of the French ruling class, yet he says that one of his principal goals in life is to battle this class. He has deep roots in France, yet he considers himself an unofficial citizen of India and of the United States. He places a premium on loyalty and sentiment, yet

he is a tough businessman who has unhesitatingly fired loyal executives and has had a hand in easing out four members of the Schlumberger family. He is charming yet distant. He is a strong and independent man, yet he has a history of "more or less falling in love"—in the words of his friend the writer Françoise Giroud—with leading French politicians of the left.

Even to many of his friends, Riboud is an enigma. They do not understand his success as a capitalist—in part because he does not speak of Schlumberger to them. "Jean Riboud impersonates a businessman who is trying to hide a certain poetry," Saul Steinberg says. "He is in some sort of Sydney Greenstreet business, as far as we see it—oil, Arabia. I say, 'What's this pussycat doing as director of this company? I can see the pussycat. But where is the crocodile?' Now, no pussycat becomes officer in charge of such a company, and I tell myself that in order to be good on the highest level of anything you need mysterious sources."

FEW cities dominate nations the way Lyons once dominated France. A city of over half a million people in the center of France, Lyons was synonymous with the French business establishment. The Ribouds were Roman Catholic—the right religion—and comfortable. The family lived in an apartment in Lyons until 1929, when they moved to a spacious house in the suburb of Écully. Summers were spent fifty-five miles north of Lyons, at La Carelle, an estate of thirteen hundred acres of farmland and wooded hills, which has been in the family since 1850. Like many members of the French establishment, Camille Riboud, Jean's father, attended L'École des Sciences Politiques, in Paris, where his circle of friends included Georges Boris, who became a close associate of Pierre Mendès-France; André Istel, a future banker; Maurice Schlumberger, who became a banking partner of Istel's; and Jean Schlumberger, who became a writer of some distinction. Maurice and Jean Schlumberger were brothers of Conrad and Marcel. After Camille Riboud and Maurice Schlumberger graduated from L'École des Sciences Politiques, their parents gave them an eighteen-month trip around the world, which they embarked on in 1910. The bond between Camille and Maurice deepened, and years later they would often take their children on trips together



—hiking in Corsica, skiing in the French Alps.

Camille returned to Lyons in 1912, with dreams of becoming a professor of literature, but his father, who was a banker with the Société Lyonnaise de Dépôts, wanted his son to be a banker, too, and Camille obeyed. Secretly, he disdained many of his banking associates—especially those who were “the son of,” Antoine Riboud, Camille’s eldest son, recalls. Many of his close friends were professors from Lyons universities. Unlike many of his banking colleagues, Camille was not “of the right.” Nor was he “of the left.” Jean Riboud says, “My father was an enlightened conservative. He was really part of the establishment and wanted to be part of the establishment, and yet he wanted to

be entirely independent-minded—independent of the establishment.” His days were devoted to commerce. At night, he read to his children: Homer, Euripides, Baudelaire, Verlaine, Rimbaud.

Camille’s wife, Hélène, grew up in Lyons, and spent her summers in the nearby town of Givors, where her father’s family owned a bottling factory. Hélène Riboud was taught to be a devout, unquestioning Catholic, to obey her husband, to control her emotions, and to organize a good home. She “was not a silly woman,” Antoine Riboud says, but she was “ordinary”—without “the sparkle of my father.” Jean Riboud offers a different memory of Hélène. “She was a lively, attractive, gay woman, without the culture of my father,” he says. “But she was not an ordinary person.” The qualities that Jean remembers most vividly are “an extraordinary dignity and an extraordinary sense of duty.” Krishna Riboud remembers her mother-in-law, who died in 1957, as a woman of “great determination and great character,” but she also says that Jean has a romanticized view of his father. “He feels that all his cultural background comes from his father,” she says. “All the authority he has comes from the mother. I see more of the mother in him than the father.”

Hélène and Camille Riboud were

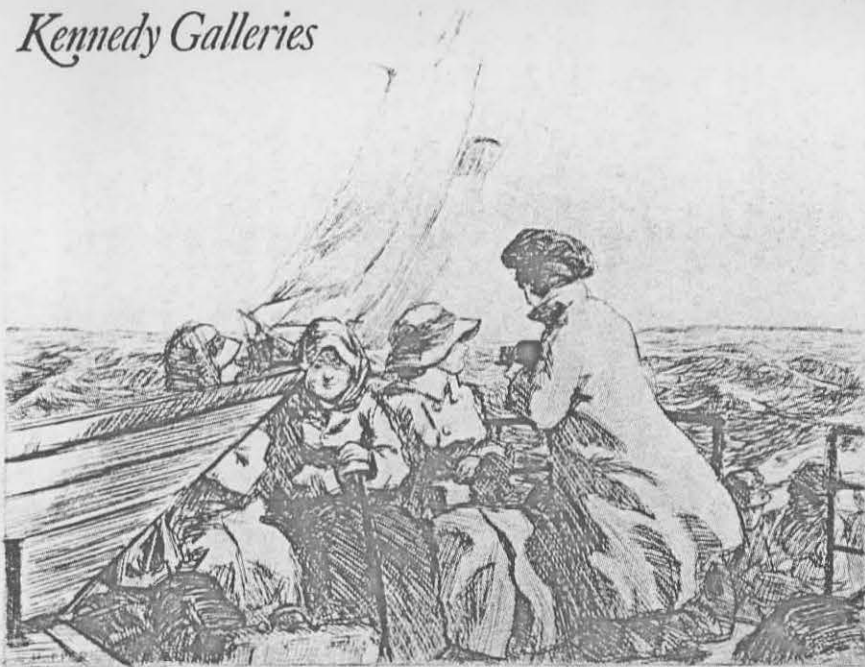
married in 1915 and had seven children—four boys and three girls. The firstborn was a daughter, Michele. Then came Antoine, a sickly child, who spent part of his youth in sanatoriums. The Ribouds had a second son eleven months later, on November 15, 1919, and named him Jean. Because they feared that Antoine would not survive, they treated Jean as the eldest child. He was the favored son, and his parents expected him to guide the older Michele and Antoine as well as the younger children—Françoise, Sylvie, Marc, and Olivier. (Olivier died of scarlet fever at eleven.) While Antoine struggled in school, Jean was an outstanding student and also a good athlete. He was voted the “best liked” in high school and was made Boy Scout leader for the entire Lyons region. Of all the Riboud children, Jean and his sister Françoise, who were close, especially enjoyed listening to their father read aloud at night; they liked meeting his friends and discussing art, literature, and politics. Influenced by the books they read, by the ideas discussed by the university men, and perhaps by their father’s own opinions, Jean and Françoise became the most political of the children, and by the time they reached their teens they were denouncing the people who ruled their church and their city as “the little Fascist bourgeoisie.” In

1936, they ardently embraced Léon Blum’s Popular Front government and its thirteen-month effort to bring about social change in France. They vehemently opposed Hitler, Franco, and the Munich pact.

In 1939, at the age of fifty-three, Camille Riboud died of a heart attack, and Jean, who was then nineteen, became the de-facto head of the family. “Jean is exactly the portrait, the figure of my father,” Antoine Riboud says. “He has the same intellectual way of thinking as my father. To all the children, he was the second father. Sometimes too much, even with Françoise. Sometimes too much with Marc. The only one who had no interference in his life was Antoine. I never had problems with my brother.” Perhaps because Jean was seen as assuming too much authority, some lasting resentments were created. Marc Riboud, who is now a world-famous photographer, and Jean speak to each other only to be polite. Michele, who is now a housewife, until recently had little contact with Jean. Antoine and Jean consult on business matters, and like and respect each other, but are not close. Françoise, who today runs a school and home for handicapped children at La Carelle, has been distant from Jean since 1977, when she challenged his slate in a local election and won the seat on the village council



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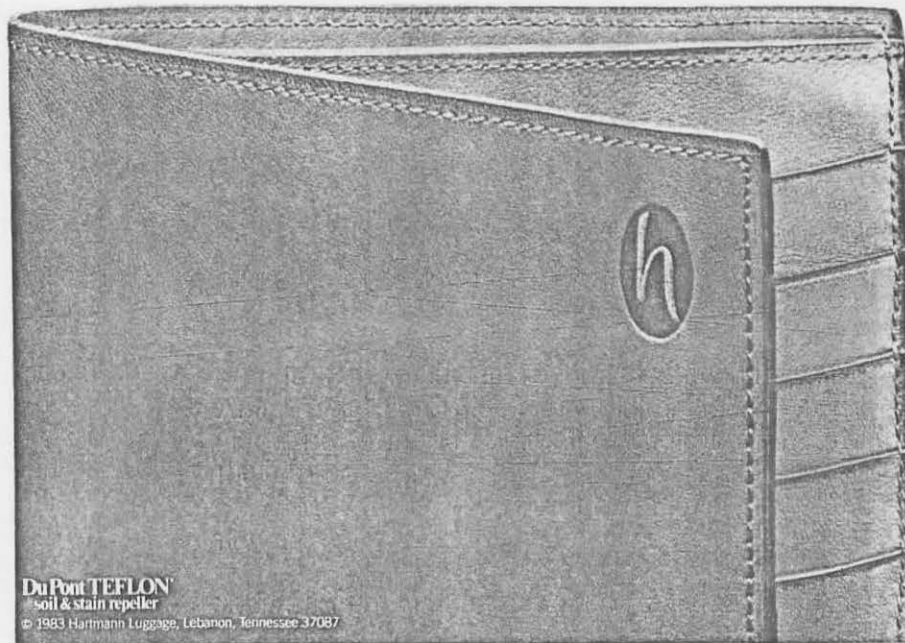
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which he had held since shortly after the war. Of all his sisters and brothers, the closest to Jean is Sylvie, who is a housewife in Aix-en-Provence.

With the approach of the Second World War, Antoine married and entered his maternal grandfather's bottling factory. There he spent the war years, eventually taking over. He had a flair for marketing and sales, and transformed the bottling company into BSN-Gervais Danone—a multinational rival of such corporations as Nestlé S.A. and General Foods. Its products include, in addition to bottles and glass, Dannon yogurt, Kronenbourg beer, Evian water, soft drinks, pasta, mustards, baby foods, and plastics. Whereas Antoine was cheerfully nonpolitical, Jean felt that he could not escape choices. In 1939, after graduating from L'École des Sciences Politiques, he volunteered for the Army but was rejected, because, at nineteen, he was too young. The next year, though, he joined the Army as a tank officer, and when Germany invaded France he was sent into battle in the Loire Valley. He was captured in June of 1940, but he escaped. In the spring of 1941, he went to the Sorbonne to study law and economics and prepare for the Civil Service. He studied and lived for two years in occupied Paris, and during this time he kept in touch with the budding Resistance movement in Lyons, attending organizational meetings and slipping back and forth between occupied France and Vichy France.

In the summer of 1943, he and a fellow-student, Yves Le Portz, were urged by others in the Resistance to join the Free French Army in North Africa. To get there, they decided to take a route that had been used by, among others, Georges Schlumberger, a son of Maurice: to Perpignan, in the south, by bicycle, and from there the twenty-five miles or so to Spain by kayak. On a moonless August night, Riboud and Le Portz hid their bicycles at the top of a cliff, put their kayak into the water, and paddled furiously, hoping to parallel the coastline just out of sight. But a storm came up, sending water crashing into their tiny craft and shoving them out into rough seas. Frantically, they struggled back toward the shore, where the water was calmer, and then they made their way south, to a point where the Pyrenees plunged straight down into the Mediterranean. They spotted a cave and, leaving their kayak outside, crawled in

to sleep. When they awoke, Riboud recalls, "two men were looking at us, and they were obviously totally baffled." The two men happened to be German naval officers. Riboud and Le Portz pretended to be students. The Germans stared at them and departed without saying a word. Riboud and Le Portz went back to sleep. They were awakened a short while later by officers from a German patrol boat, who, after one look at the detailed maps of the coast of Spain the two were carrying, arrested them. The Germans took them to be interrogated by a colonel, who first saluted their bravery and then turned them over to the Gestapo in Perpignan. After two weeks of questioning, they were taken to the city of Compiègne, north of Paris, and in September they were among twelve hundred prisoners shipped by train to Buchenwald.

When Riboud and Le Portz arrived at Buchenwald, experienced prisoners gave them some advice: The Gestapo will ask if you are able to do mechanical work. Say yes. "We had no idea of mechanics at all," recalls Le Portz, who is today chairman of the European Investment Bank. But they followed the advice, and were sent to an aircraft-construction plant near Buchenwald. Prisoners who said they were ignorant of mechanics were sent on to Dachau, the extermination camp. Buchenwald was brutal—particularly the long hours working outdoors in winter without a coat. In addition to the cold, the hard labor, and the Gestapo, prisoners of war had to contend with common criminals whom the Germans had rounded up and sent to the camps. "To divide us, they mixed ordinary criminals with members of the Resistance," Le Portz says. "There were as many conflicts among inmates as between inmates and guards. Unity among the prisoners was essential."

Riboud recalls that in many of the camps "some of the Christians and the Communists became forces of order." They helped their fellow-prisoners not to lose faith, and to accept discipline and solidarity. Riboud himself soon emerged as a leader at

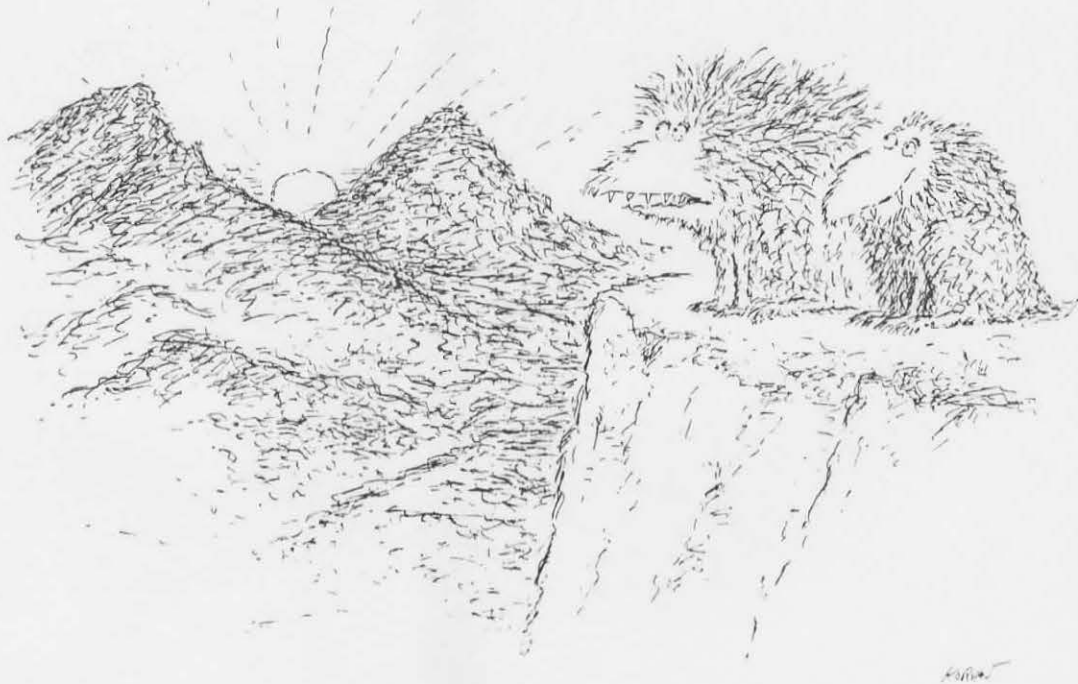
Buchenwald. "We didn't speak German," Le Portz says. "Yet a few months after entering the camp Jean was the official German interpreter for the prisoners—and he'd read German newspapers to them. Moreover, he was a man of extraordinary courage and humor. He tried to make life as easy as possible for other prisoners. Jean managed to establish contact with the outside world and get information to the camp. He was not a passive man."

Riboud's brother Antoine and his friend Cartier-Bresson have said that Riboud emerged from the camp thinking of himself as a Communist, although not in the sense of being a Party member or a Stalinist. "I was never tempted at all to become a Party member," Riboud says. He does concede, however, that it took him "a long time to realize the force of destruction that was Stalin," explaining, "I couldn't believe that people I'd known in Buchenwald—who had convictions, and integrity—could have lent themselves to an evil like Stalinism." Of his years at Buchenwald, Riboud says, "I've seen the worst and the best of human beings, to an extent that I never thought could be as bad and as good, as ominous and as perfect." The experience contributed to a lifelong conviction that, in Riboud's words, "in the presence of death there are the ones who fight and the ones

who give up, the ones who survive and the ones who do not." Antoine Riboud says that Buchenwald made his brother "more liberal" and also made him "very strong, very capable of resisting anything."

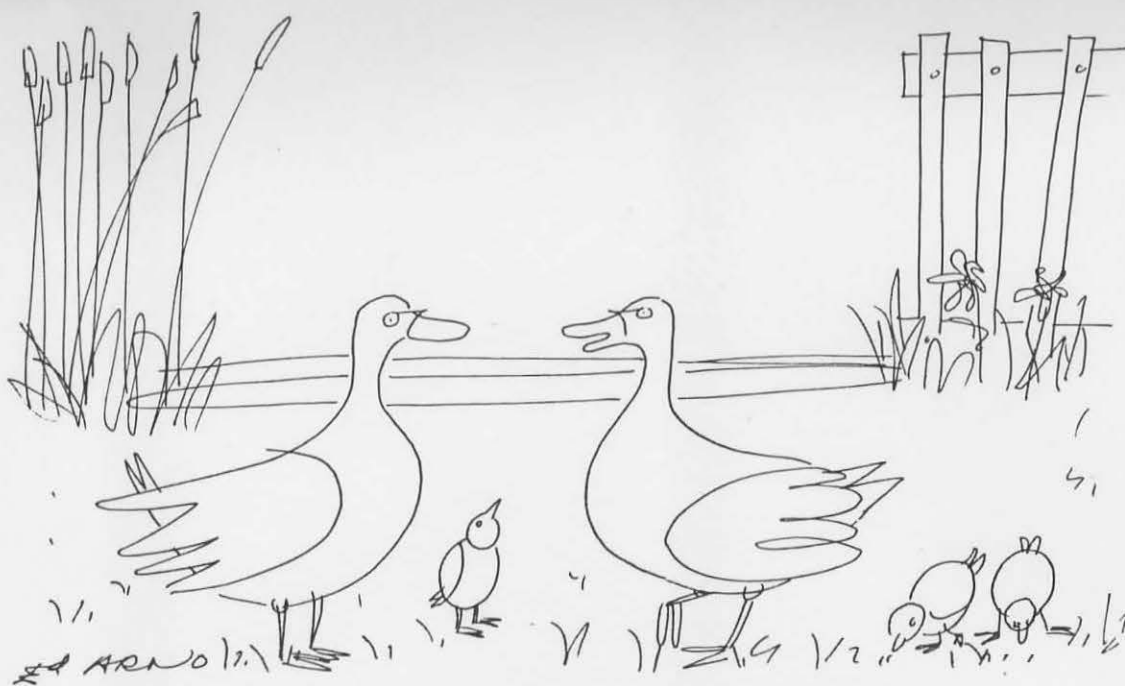
When Buchenwald was liberated, on April 11, 1945, only ninety-two of the twelve hundred prisoners who had been on the train from Compiègne were still alive. Two days later, some French nationals arrived to interview the prisoners, and were horrified by what they learned. They chose a delegation of five prisoners, including Riboud, and rushed them to Paris by plane to give officials an account of their ordeal. They received a hero's welcome, after which Riboud took a train from Paris to Lyons, and from there travelled on to La Carelle. All four hundred residents of the village of Ouroux turned out to greet him, and he stayed up through the night drinking wine with them at the village café, and singing. Riboud never forgot the bond he felt with the people of Ouroux. Some time later, he was elected a member of the village council, and he attended two or three meetings a year until his defeat in 1977.

WITH the war behind him, Jean assumed that a job in his father's bank awaited him. A career in banking had been Camille Riboud's



"I want to be able to speak the desperate things the heart feels."

JUNE 6, 1983



"Oh, sure, I've laid a few. But that was when gold was over seven hundred dollars an ounce."

wish for him, and though Jean had no ambitions along those lines he decided to fall in with his father's plan. He recalls, "I went to see the man who was the head of the bank"—his father's partner—"and he said to me, 'There is no room in the bank.'" The partner also told Riboud that he had "no gift for banking." Something he didn't say was that he had reserved a major position for his own son. Riboud was both depressed and relieved—depressed because his future was blank, and relieved because he would not have to become a Lyons banker. Unsure of what he wanted to do, he went to Paris to have an interview for a job in industry, and while he was there he also went to see André Istel, who had been a banking partner of Maurice Schlumberger. Riboud knew both men, since they had been friends of Camille Riboud. Istel, a French Jew, had fled to the United States during the war, and now he planned to open a New York banking office, to be called André Istel & Company. Among Istel's clients was the oil-field-service company Schlumberger. Istel and Riboud had dinner at the Hôtel de Crillon, on the Place de la Concorde, and then walked along the Seine, talking, Riboud recalls, about de Gaulle, the war, the United States, economic policies, and Camille Riboud but not about the investment-banking business.

Two days later, Istel phoned Riboud's hotel to arrange an interview, and when they met again Istel said, "I'm opening an office in New York, and I want you to come work for me."

"You're out of your mind, M. Istel," Riboud recalls saying. "I can't speak a word of English. Second, I've never worked. What could I do for you?"

Istel replied, "If I had Napoleon at my disposal, I wouldn't be asking you. But I don't have Napoleon, so it's my problem, not your problem."

Two months later, in September of 1946, Riboud opened Istel's New York office, working at a salary of two hundred dollars a month. "It was another planet," he says. "Europeans had absolutely nothing. I took all my belongings to America, and I remember that they were one pair of shoes and two shirts. That's all I had—that was everything." For a year, Riboud rented a furnished room on the East Side, and then, his salary having risen, he moved into a hundred-and-twenty-five-dollar-a-month apartment on Sixty-third Street between Madison and Fifth Avenues. A number of art galleries were nearby, as was the Museum of Modern Art, which he particularly enjoyed. Again, as at Buchenwald, Riboud quickly learned the language being spoken around him. At the suggestion of friends in France, he

got in touch with Cartier-Bresson, who at the time was being honored with his first one-man photography exhibit, at the Museum of Modern Art, and the two Frenchmen became lifelong friends. Riboud also met Cartier-Bresson's sister, Nicole, a passionate leftist, who wrote poetry and studied psychology. They attended meetings at Cartier-Bresson's apartment, under the Manhattan side of the Queensborough Bridge; protested against Dutch colonialism in Indonesia and French colonialism in Indochina; and worked for a variety of causes. Through Cartier-Bresson, Riboud met members of the art and literary worlds, including Charles Olson, who

was then living in Washington, D.C.

Olson and his wife, Constance, became special friends of Riboud's. Every two or three months, Riboud took the train to Washington to spend a weekend with them. The three would stay up talking until dawn, sleep until midafternoon, talk until dawn. Unlike Riboud, Olson came from a working-class background; his father was a mailman and a union organizer in Massachusetts. Riboud read Mao Zedong's writings aloud in French to Olson, who used several of Mao's lines in his 1949 poem "The Kingfishers," and who wrote enthusiastically of Central America's "Communist future." Olson, who was something of a mystic, taught English at Black Mountain College, in North Carolina, and was considered a leading avant-garde figure of his day. His devoted students included John Cage, Robert Rauschenberg, and Merce Cunningham.

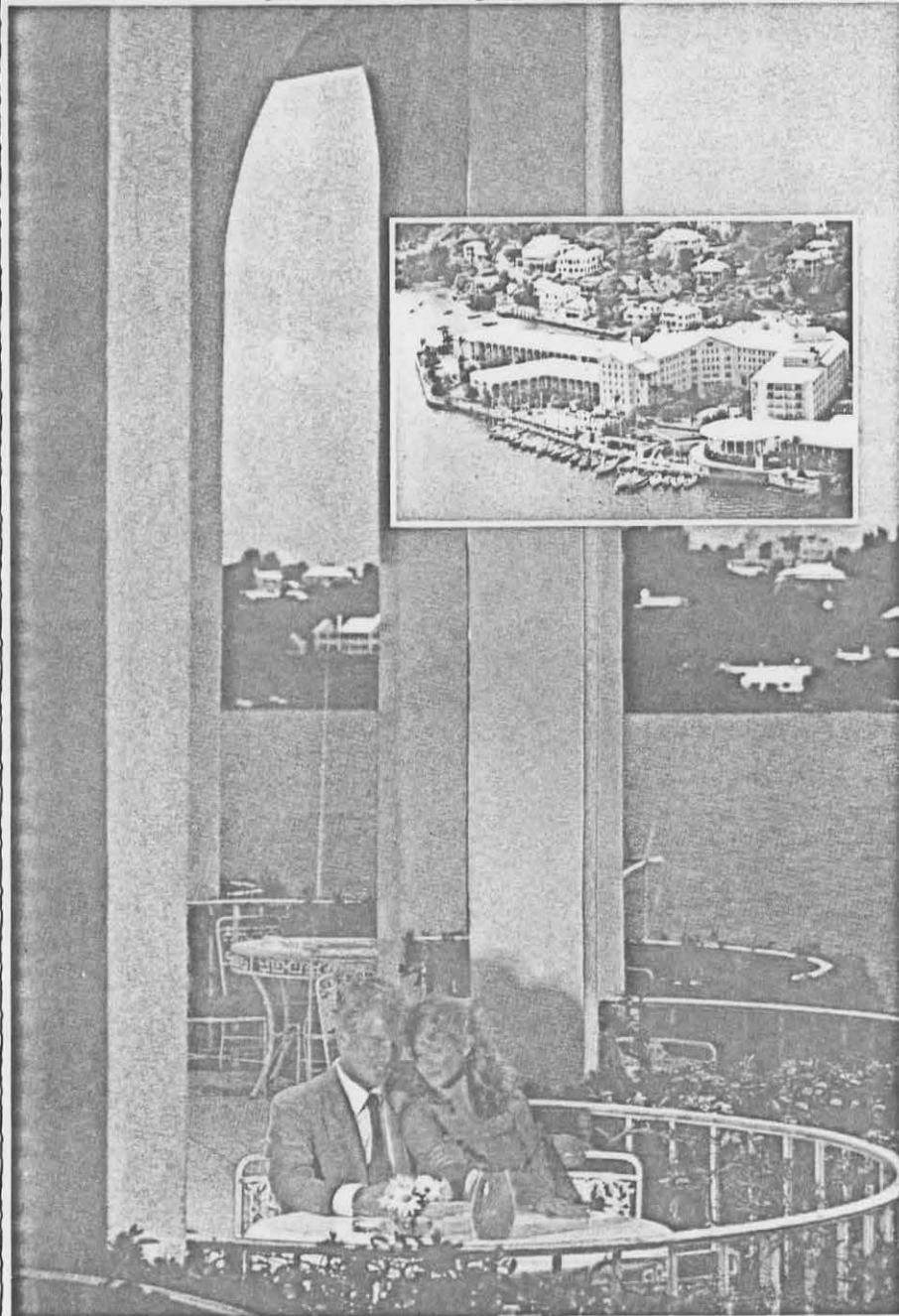
As a young man, Riboud had become accustomed to meeting his father's literary friends, and he had read the classics; he had always cared about art and about politics; and now he shared the passions and interests of his new friends in the New York literary and artistic community. He often accompanied Langston Hughes on Sunday walks through Harlem, stopping to listen to some jazz or to the rhythmic words of preachers. He supported Charles Olson in his war with tradi-

tional forms and in his quest for new ones. He believed that Cartier-Bresson and Robert Capa, two of the founders of Magnum Photos, were artistic pioneers. He sided with Rauschenberg and others who were accused of exhibitionism, of trying to shock for the sake of shock. He spoke the language of these artists. "Like all intellectuals, Riboud has an understanding of short-cuts," Saul Steinberg has observed. "He understands paradox, and comparison that avoids lengthy explanation."

Riboud did well at the bank. He came to know some conservative businessmen and formed friendships with several—notably Garrard Winston, an attorney whose bloodline stretched back to the early days of the American republic. But investment banking did not inspire Riboud the way politics did. His was a generation that had been dominated from its early years by political questions: by Fascism, the Spanish Civil War, Hitler, the Second World War, the Holocaust, the United Nations, and colonialism; and now by Senator Joseph McCarthy. "We had to choose," Riboud says. Enemies were unambiguous. Some of those who had been aligned with him against Hitler now devoted their energies to opposing Stalin. Stalin, they argued, was another Hitler, with his own concentration camps, his own imperialistic designs on Eastern Europe. In this postwar split of the left, Riboud decried the self-proclaimed realists. He wanted the left to remain united, to remain focussed on traditional enemies, to help prevent the Cold War. When Riboud thought of Communists, he thought not of a Stalin Gulag but of Buchenwald, populated in part by Communists "who had convictions and integrity," and who had saved his life. At that point, nobody, he has said, "could make me believe that the French Communists were bad."

When Alger Hiss, whom Riboud knew, was successfully prosecuted by the federal government and later attacked by McCarthy, Riboud supported Hiss, opposing those who believed that Hiss was a Soviet spy. He saw the Hiss case as a modern-day version of the Dreyfus case. He wasn't sure—and still isn't, he says—whether Hiss was innocent or guilty, and he felt that in a way it didn't matter. He could excuse transgressions on the part of Hiss, for he was certain that the forces of oppression, of militarism, of narrow nationalism were mobilized on the other side. As he had when he

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joined the Resistance, he felt that he had to choose. It was a matter of "us" against "them." Today, Riboud sees the Hiss case as "the beginning of something that was fairly important, part of American history that is resurrected now with Mr. Reagan, which is the peace problem, the McCarthy problem, witch hunts—really, the problem of freedom in America." Saul Steinberg says of that time, "Whenever we sat down in a group of people, we looked around to see who would join us on the barricades."

In the spring of 1947, Riboud went to a party for Cartier-Bresson given by the editor of *Harper's Bazaar*, and there he met Krishna Roy. She was one of "three absolutely adorable, beautiful young Indian girls"—his words—who were visiting from Wellesley College, where they were studying philosophy. Krishna Roy was born in Dacca on October 12, 1926, and, like Riboud, she had grown up comfortably. Her father, Rajendra Roy, had been director of public health in East Bengal, and the family of her mother, Ena Tagore, included the poet Rabindranath Tagore and a revolutionary leader, Soumyendranath Tagore. Rajendra Roy died when Krishna was ten, and she grew up in the city of Calcutta under the tutelage of her uncle Soumyendranath, who had a lasting influence on her. "My uncle, whom I had a passion for, was a revolutionary Marxist, and his Marxism was very different from the Communism we know now," recalls Krishna Riboud, a short woman with dark skin and straight black hair. Full of idealistic fervor, her uncle visited the Soviet Union between 1927 and 1929; he became a friend of Nikolai Bukharin, and slowly became horrified by Stalin's ruthless consolidation of power. After returning home, he, like Gandhi and Jawaharlal Nehru, was repeatedly arrested by the British colonial administration for revolutionary activities. Krishna vividly remembers a time at the Calcutta railway station when she saw her uncle manacled by British police and carted off on a train.

A well-placed friend helped to obtain the release of her uncle on that occasion, and, later, helped get Krishna into Wellesley. The friend was Spencer Kellogg, Jr., scion of a wealthy family, who had met Krishna's family when his daughter Lois became ill on a visit to India and was treated by Krishna's father. When Kellogg returned to the United States,



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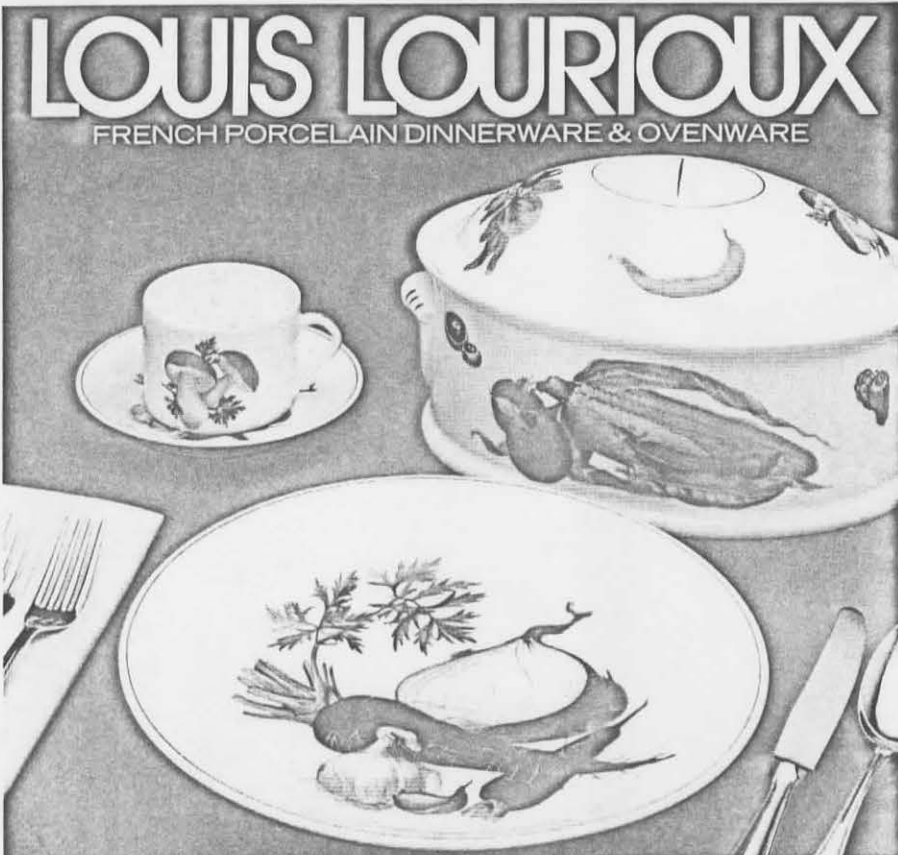
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he wrote to Krishna's mother to suggest that Krishna be allowed to enroll at Wellesley. Nehru's sister, Vijaya Lakshmi Pandit, who later became president of the United Nations General Assembly, had sent her daughters there, so Ena Tagore Roy did not immediately dismiss the suggestion. Then Lois Kellogg wrote to say that she would be Krishna's guardian, and that Krishna could spend winter vacations with her at the Kelloggs' home in Scottsdale, Arizona, and weekends at their home in Connecticut. After a time, Mrs. Roy consented. In 1943, Krishna Roy went to Wellesley. She was not just another foreign student. She came with letters of introduction to John Dewey and Albert Einstein, both of whom knew her uncle the poet and her uncle the revolutionary. She remembers visiting John Dewey, who cautioned her not to study Western philosophy. She remembers driving to Princeton on a rainy day to meet Einstein. "I walked into this small house, and he asked, 'How is your uncle?'" she says. "He was so sweet. He took me up to a small veranda and made some tea. He said to his daughter, 'She's the niece of that wonderful Communist, Tagore.' Then he played the violin for me."

The first time Krishna Roy and Jean Riboud spoke at any length, they, too, spoke of her uncle the revolutionary. She had seen Riboud at the Cartier-Bresson gathering but had paid no heed to him—he had made "no impression whatsoever," she recalls. After that first meeting, however, he invited her for a walk, and in the course of it he asked about her uncles, her country, her philosophy studies. They argued, he remembers, about modern art, which they both admired. They began to see each other regularly. Two years later, Riboud told her, "If we are going to keep on seeing each other, we must take a trip together around the country." She agreed, and Jean invited his sister Françoise, to whom he was still very close, to join them. It was the summer of 1949, and they travelled by car to Seattle and the Pacific, to Arizona, and across the country to the Olsons' house at Black Mountain College.

In 1949, Krishna and Jean decided to get married, though they knew that Ena Tagore Roy wanted her daughter to marry an Indian national, and that Hélène Riboud wanted her son to marry a Catholic. With encouragement from Françoise, they decided to write to their mothers and announce



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replies. On October 1, 1949, Krishna and Jean were married by a priest at the Kelloggs' house in Connecticut. Françoise was matron of honor, and Krishna was attended by her close friend Rita Pandit. The wedding party included Anne Schlumberger Doll and her husband, Henri, and other members of the Schlumberger family, who were principal clients of André Istel & Company.

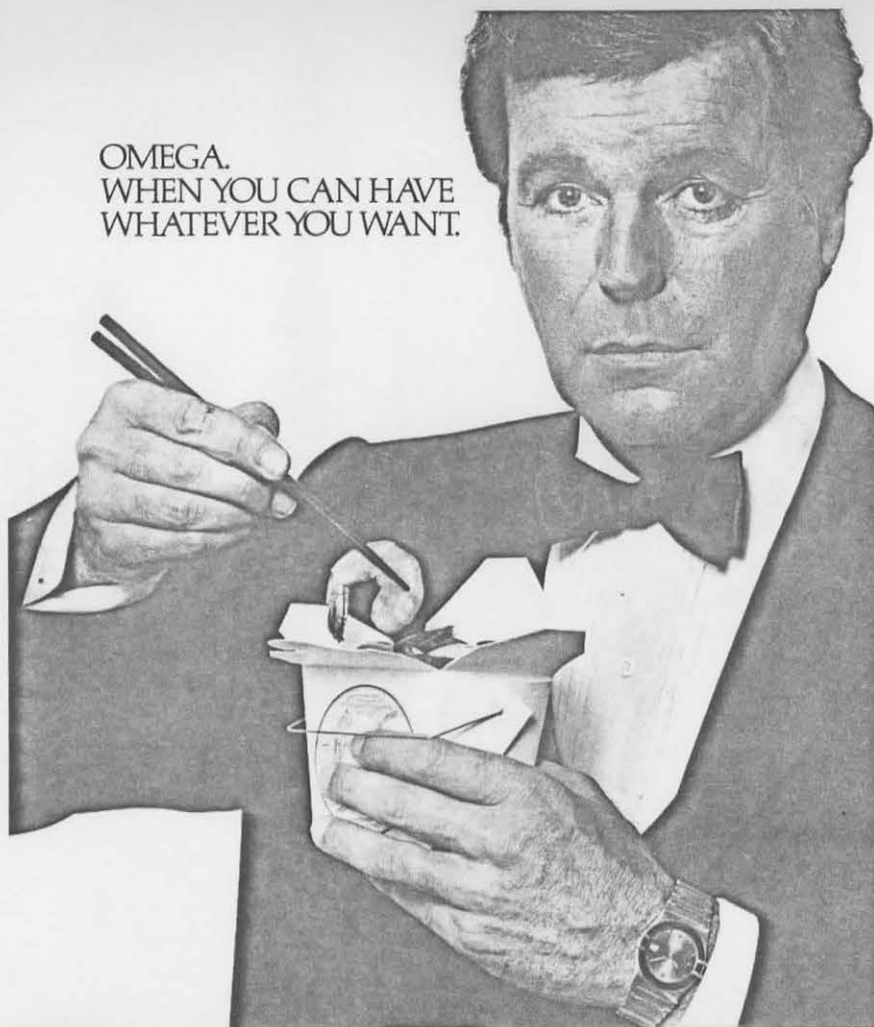
THE Schlumberger family had been keeping an eye on Jean Riboud. Glowing reports arrived from André Istel and Maurice Schlumberger. The Schlumbergers had come to know Riboud directly, because a third of the investment bank's financial-advisory business was with their company or with the family itself. Riboud was invited to family dinners, and impressed other guests with his knowledge of politics, art, and literature. One day, Marcel Schlumberger arrived at the house of his niece Anne, in Ridgefield, Connecticut. She recalls that he seemed depressed. Schlumberger had always been a family company, and Mr. Marcel, as he was called, usually hired its engineers himself. But the company was growing rapidly—it now had offices not only in Paris but also in New York, Ridgefield, and Houston—and Marcel worried that it was becoming too successful, too bureaucratized, and would lose its sense of intimacy and fall into the hands of men without character. Anne listened to Marcel's lament, and after a while the talk turned to Jean Riboud. "You see him now and then," he said. "What do you think of this lad?"

In "The Schlumberger Adventure," a family memoir published in the United States in January of 1983, Anne (who, divorced from Henri Doll, had become Anne Gruner Schlumberger) writes that she replied, "I think he has a heart—a feeling for humanity, I guess I want to say. That's rare enough in someone committed to high finance. If you're thinking of taking him on, I'll be surprised if he disappoints you."

"Oh, I find him *sympathique*," Marcel said. "We'll see." He paused, then added, "I wouldn't know how to use him. Finance is not our business, and I don't believe in it."

Marcel arranged to have lunch with Riboud in Paris in July of 1950. Jean and Krishna had had a son, Christophe, that year, and had talked often

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of starting a new life in France. Riboud felt unfulfilled as an investment banker. He was restless in America, and was concerned that he was losing touch with France. Moreover, he had never been to India; he wanted to go there, and then settle in Paris and maybe open a bookstore. Earlier that year, he had notified André Istel that he planned to leave the banking business and go to India for six months. Now, when Marcel learned of these plans, he offered Riboud an undefined position with Schlumberger. "I haven't the foggiest idea what you'll do," he said at lunch. He offered to pay Riboud five hundred dollars a month—two thousand five hundred dollars a month less than he was then making. He proposed to send him to Houston as an assistant to his son, Pierre, but Riboud, because of his Indian-born wife, preferred not to live in the South. Still, he was intrigued by Schlumberger and by the sense of adventure that the oil business promised. He agreed to go to work for the company, but on two conditions: he must first visit India, and he must work at Schlumberger's Paris office. Marcel accepted his terms.

The Ribouds sailed for France in January of 1951, and stayed at the Paris flat of Dominique and Jean de Mènil for a week, during which Hélène Riboud came to visit. Then Krishna, Jean, and Christophe embarked on a two-day plane trip to Calcutta, where Riboud met the Tagore and Roy families, and was extensively exposed to Eastern culture and the Hindu faith. Awestruck, he travelled throughout the country, asking questions, admiring the art and the traditions. He has visited India every year but one for the past three decades.

Upon returning to France, in May of 1951, Riboud went to work at Schlumberger. He worked on finances, on merging what had become four independent Schlumberger companies into one, but mostly he listened. "For the first year, I really did nothing except listen to Marcel," he says. "Marcel used him as a gadfly," says Paul Lepercq, who is also from Lyons and was recruited by Riboud as his replacement at the New York bank; today Lepercq is the second-longest-serving member of the Schlumberger board of directors. Riboud watched Marcel—the "adapter," as Paul Schlumberger called him—spend hours asking penetrating questions, or sit through meetings without saying a word, his eyes unreadable under thick

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cel focussed on personnel decisions, which, he told Riboud, were the most important decisions an executive had to make. Even though Marcel was approaching seventy, he would cross the ocean to attend meetings of engineers and managers. William Gillingham, a British-born engineer who had been hired by Marcel in 1934 and had become the head of Schlumberger's oil-field-service operations, recalls saying, "Mr. Marcel, you must enjoy coming over here and hearing these technical papers," and that Marcel glared at him and said, "Mr. Gillingham, I don't come here to hear these papers. I can read them in my office. I come here to see what kind of people are running *my* company."

Riboud learned that nothing seemed to please Marcel. Although Marcel is said never to have raised his voice, he was hardly a diplomat. Jérôme Seydoux, the son of Marcel's daughter Geneviève, recalls, "He disliked anything that was not well done." The old man often spent weekends at their country home in Cormeilles, outside Paris. "He could be quite rude," Seydoux says. "If a meal was not good, he would say to us, 'It's not good'—and wouldn't eat it. One sentence or one word was enough. He gave us a sense that you have to do quality work. If things were perfect, he'd say, '*C'est bien*'—but that's all." Marcel disliked frills. If an employee bought an expensive carpet or piece of furniture for his office, Marcel would bark a few gruff monosyllables at him. He would complain if there were too many words in a telegram. He lived for the company. Monday mornings, Marcel arrived at the office and asked his employees what new thoughts about Schlumberger they had had over the weekend. If they had had shrewd insights or had done outstanding work, he offered no compliments. "When he was really friends with you, he offered you a cigarette," says Claude Baks, who joined Schlumberger as an engineer in 1946. He later became one of Riboud's principal advisers, and remembers Mr. Marcel with great affection.

Despite his flaws, Marcel communicated to Riboud his almost religious devotion to Schlumberger. As with other corporate pioneers—Thomas J. Watson, of I.B.M., A. P. Giannini, of the Bank of America, Henry Ford—this devotion became a legend. Riboud speaks of an incident that took place in 1940, when the Germans had invaded

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Belgium and were poised to overwhelm France. Erle P. Halliburton, the head of the Halliburton Oil Well Cementing Company, which was Schlumberger's chief oil-field-service rival, paid a visit to Marcel. "Everybody knew that France was going to be defeated, that Paris would be totally cut off from Houston, and that Houston wouldn't survive by itself, without Paris," Riboud says. Halliburton offered to buy Schlumberger for ten million dollars. Marcel made no reply but slowly rose from his chair, and beckoned Halliburton to follow him. They walked silently to the elevator, where Marcel thanked his visitor and said goodbye. Another executive might have hesitated, Riboud says. Why didn't Marcel? "Because there are some questions you never discuss," he says. "If somebody were to come and ask you to sell your wife, you wouldn't hesitate, would you?" Riboud draws a lesson from this tale: Marcel Schlumberger was never swayed by passing storms, because he remained anchored to a set of beliefs. "The first was, Think for yourself," Riboud says. "Whatever is happening at the moment, try to think for yourself."

In the summer of 1953, at the age of sixty-nine, Marcel died of heart failure. In a eulogy, Jean de Ménil said, "He had known for several weeks that he had not much time left to live. He never alluded to it. With those who entered his office, he would discuss, listen, and advise as usual. To his wife, a few days before his death, he said, 'My motor is stalling.' Then, on August 20th, in the late morning, he retired to his room without a complaint. He died as he had lived: upright."

Although Marcel's corporate heirs shared his sense of the company's special mission, his death robbed Schlumberger of its central authority. Feuds surfaced among the branches of the Schlumberger family. No one emerged as chief operating officer to replace Marcel. Instead, the company was divided into four fiefdoms, each ruled by a family member. The technical side of the business was the domain of Henri Doll, the husband of Conrad's daughter Anne, and the engineer who in 1927 performed the first successful wireline experiment. Doll, who believed in technology, pushed the company to apportion a larger share of its profits for his research activities. Science was Doll's forte, his love. He fled France in 1940 and lent his skills to the Allied cause. Doll supported his

small company, Electro-Mechanical Research—which he started in Houston and moved to Ridgefield, Connecticut, after the war—with defense contracts. He invented a device to detect land mines, and helped perfect rocketry guidance systems. When the war ended, Schlumberger bought this company, and under Doll's direction the Ridgefield lab produced the first induction log, a device using electromagnetic waves to measure resistivity, which increased Schlumberger's lead in the wireline business. William Gillingham has estimated that when Doll retired, in 1967, forty per cent of Schlumberger's revenues sprang from his inventions. But Doll was a scientist, not a corporate manager; although he ranked first in seniority when Marcel died, he chose not to assume the leadership of the company.

Pierre Schlumberger, the only son of Marcel—and the only son of either founder—ruled the most profitable division: Schlumberger's North American wireline operations. Schlumberger came out of the war a weakened company, with its executives scattered. In 1946, Pierre set up an organization in Houston that would keep pace with the growing American oil market. Like his father, Pierre was a man of simple convictions. With his father gone, he came to believe that if Schlumberger was to grow it had to become a public company rather than remaining a family one, and that it had to make its financial operations more professional—to codify a set of rules rather than follow the whims of one man. Pierre had ambitious plans, but the other family members resisted them.

A third sector—Schlumberger's wireline operations in South America and the Middle East—was run from Houston by Jean de Ménéil, the husband of Conrad's daughter Dominique. For eight years after his marriage, de Ménéil, a Paris banker, resisted Marcel's importunings to join the company, but in 1939 he did, and became responsible for Schlumberger's financial structure. During the war, de Ménéil successfully schemed with Marcel to free the company from potential Nazi control by shifting its base of operations from France to Trinidad. And after the war de Ménéil played a large part in making Schlumberger a truly international corporation, by requiring that all business be conducted in English and that the dollar be the common currency, as is now custom-

ary in the oil business. Like Conrad Schlumberger, de Ménéil was an idealist, and lent his financial support to political and artistic movements that challenged the status quo. And, also like Conrad, he believed that Schlumberger's ability to help others find oil was a natural extension of his political beliefs. "You were bringing to human frontiers technology that helped people," says his son George de Ménéil, who is a professor of economics. "During the war, it contributed something crucial to the war effort. After the war, it contributed something crucial to the growth of the world economy."

Schlumberger's European operations—the fourth fiefdom—were run by Marcel's son-in-law René Seydoux. Like de Ménéil, he had intense political convictions, and he became a supporter of the French Socialist Party. During the war, he was captured by the Germans and sent to a prisoner-of-war camp. After the war, he returned to Schlumberger and was made head of its Paris office. Among those who worked for him following Marcel's death was Jean Riboud, who admired his gentle nature. Through Seydoux, Riboud came to know many Socialist Party leaders. Of the four family members, a person who knew them well says, "The others were stronger personalities in a sense, but René Seydoux was always the cement, trying to hold things together."

The cement did not adhere. For three years after Marcel Schlumberger's death, the company remained divided into four parts. Relations among the family members were amicable, professional, often affectionate. The four parts were united in their devotion to Schlumberger and its mission, but there was no central planning and coordination. Riboud and other executives disliked this arrangement, and campaigned to restructure the corporation. Finally, in 1956, a new parent company, Schlumberger, Ltd., was created to unify operations. Pierre Schlumberger became president; Henri Doll was elected chairman of the board. The company was incorporated on the island of Curaçao, in the Netherlands Antilles, which was then becoming one of the world's major tax havens.

Pierre Schlumberger, in Houston, supervised the company's worldwide operations. He took the company public, selling shares on the New York

Stock Exchange, and declared that family members would no longer receive preference within the company for promotion. This angered family members, who were uneasy, in Riboud's words, because they wished "to keep family control of the company"—but as profits rose discontent dissipated. In 1959, however, Pierre's wife died, and over the next eighteen months Pierre stayed at home most days. When he did come to the office, he was irritable and autocratic. He sometimes arrived at board meetings hours late. His period of grief ended when he met and quickly married a beautiful young Portuguese woman, Maria da Diniz Concerçao, but his erratic behavior did not, for he had grown fond of café society. "Pierre was very fragile and lost his balance," observes his cousin Anne Gruner Schlumberger. By this time, Doll, de Ménéil, and Seydoux were near retirement. Schlumberger executives pleaded with them, for the good of the company, to intercede. Jean Riboud was then the general manager in charge of all Schlumberger operations in Europe and the eastern hemisphere. Under Pierre's direction, he essentially ran half the empire, while the North and South American half was run by Ame Vennema, an American working in Houston. Riboud was "always Pierre's choice to succeed him," says Paul Lepercq, who was then a member of the executive committee. But there was "a big power play," he recalls, with the company's chief financial officer, Carl Neureuther, an ally of Pierre's, warring with the six other members of the executive committee. Riboud, as one of the six, stood opposite Neureuther. Yet he was



somewhat ambivalent, telling associates that the situation was intolerable but adding that he cared too much for Pierre to depose him. Lepercq, as a board member and also the family banker, met with other members of the family, all of whom felt that Pierre must leave. "They took over power from him," Claude Baks recalls. "Everyone was in on it. I was in the middle of it."

Eventually, the factions came to agree on the man who should be Pierre's successor—Jean Riboud. Everyone knew Marcel Schlumberger's former assistant. The branches of the Schlumberger family disagreed about many things, but not about the value of Riboud. Everyone saw in him fa-

miliar qualities. Like Marcel, he was an asker of questions, a quiet, wise man. Like Conrad, he took an interest in his employees and in leftist politics. Like Pierre, he was a professional manager, and his very appointment would demonstrate that Schlumberger was no longer a family fiefdom. He was dignified, like de Ménéil; gentle, like Seydoux; a believer in research, like Doll. He shared with them a fervent faith in Schlumberger. And he was seen, after Pierre, as Marcel's chosen heir. "I know that Marcel felt that his end was near and that his death might precipitate an outbreak of discord that would bring down the work to which he and his brother had given their best," Anne Gruner Schlumberger writes in her memoir. "To take Jean Riboud under his wing, form him in his school, and bequeath to him the stamp of his authority was, to his thinking, the way to avoid the worst."

In early May of 1965, the family asked Riboud to replace Pierre Schlumberger. Riboud says that he immediately resigned, declaring, "I will not replace Pierre, because I owe too much friendship to him. The only decent thing for me to do is to resign." The family prevailed on Pierre to resign first, and then asked Riboud to become president and chief executive officer of Schlumberger. He did so on May 13, 1965.

FOR eighteen years, Riboud has ruled Schlumberger, in the words of one company executive, "like an absolute constitutional monarch." Felix Rohatyn says, "He is the absolute, unquestioned boss in the company. His authority is as absolute as that of any chief executive I've seen." When Riboud speaks of Schlumberger, he often does so in the first person singular. Explaining, for example, Schlumberger's 1979 acquisition of the Fairchild Camera & Instrument Corporation, he says, "It seemed to *me* . . ." Although he is not a Schlumberger, his authority within the family is comparable to that of Conrad or Marcel. "He has the unanimity of the family behind him," according to Dominique de Ménéil, who is now seventy-five and is a close friend of Riboud. Since the Schlumberger family owns about a fourth of the company's stock, the support of the family is significant. Still, because Schlumberger has generated consistently higher profits under his reign, because he has succeeded in complet-

ing the transformation of a family enterprise into a public company, because he is acclaimed on Wall Street, and because he has at times ruthlessly asserted his authority, Riboud has assured his independence.

The only overt challenge to Riboud's reign has come from Jérôme Seydoux. From the time Jérôme was a little boy, Marcel Schlumberger had urged his grandson to become an engineer. Jérôme heeded the advice and, in 1959, received a degree in electrical engineering from L'École Nationale Supérieure d'Électronique, d'Électrotechnique et d'Hydraulique, in Toulouse. But by then Marcel was dead, and Jérôme's uncle Pierre, determined to make Schlumberger a public company,

discouraged him from joining it until he had proved his worth elsewhere. "To some extent, it was a shock to me," Seydoux recalls. "I had been educated to work for Schlumberger." Instead, he went to work for the family's investment-banking firm, Istel, Lepercq & Co., the successor to André Istel's firm. In the early nineteen-sixties, Jérôme Seydoux worked under Paul Lepercq in New York; then, in 1963, having climbed rapidly, he returned to Paris, where he became a partner. He had more than the right name; he also had talent. He is a handsome man with pale-blue eyes and blondish hair that falls onto his forehead, and even today, at the age of forty-eight, he has a boyish appearance. By the end of the sixties, he had caught the attention of Riboud. In 1969, Jérôme's father, René, retired from the board of directors, and Riboud invited Jérôme to join it. He hailed the younger Seydoux as one of the brightest men of his generation, valued his advice, and took him into his counsel, as Marcel Schlumberger had done with Riboud.

In 1969, while Seydoux was vacationing in the South of France, Riboud phoned and asked to meet him on a matter of urgency. Seydoux still remembers the date of the meeting—the first day of May. Riboud offered Seydoux a job with Schlumberger. Some months later, Schlumberger acquired the Compagnie des Compteurs, a French manufacturer of electric meters and other instruments, and Riboud offered Seydoux the job of president. The company had been losing money, but Riboud believed that it could become profitable. Riboud remembers telling Seydoux that if he

succeeded with the new acquisition he would have "a big future." Seydoux remembers Riboud's saying that he would become president of Schlumberger. In any case, Seydoux did succeed, transforming the company into a profitable operation that is now known as Measurement & Control—Europe. Five years later, in September of 1975, Riboud appointed Seydoux president of Schlumberger, retaining the positions of chief executive officer and chairman of the board. Seydoux remained president for just eighteen weeks. His memory of his tenure remains vivid. Now president of Chargeurs S.A., a Paris transportation company, Seydoux recently told a visitor to his office, "I always worked very well with Riboud. We talked easily and communicated well. Yet a few days after I became president he wasn't happy. It lasted four and one-half months, but I really think it lasted only a week. Very soon after I became president, we stopped communicating."

In the opinion of people who knew him then, Seydoux began acting as if he were the chief executive—as if the family dynasty had been restored. When he moved into his new office, one of his first acts was to hang on the wall over his desk a picture of his grandfather Marcel Schlumberger. Riboud thought that Seydoux was acting like someone who believed that his station was inherited, and not earned. Riboud's unease was intensified by complaints from executives who had been instructed to report to Seydoux. Jérôme was too officious, too brusque, they protested. William Gillingham says that Jérôme lacked "the human touch." Some executives were doubtless unhappy that they no longer reported directly to Riboud, and Riboud himself was unhappy, because he had discovered that at the age of fifty-five he did not want to step aside.

Riboud, having decided to dismiss Seydoux, carefully met with or telephoned every other member of the board—there were sixteen members—and said that there was not room for two corporate heads at Schlumberger and that he planned to dismiss Seydoux. With the board's approval, he visited and won the concurrence of five of the six branches of the Schlumberger family. And then, one winter morning, he summoned Seydoux to his New York apartment, at the Carlton House, on Madison Avenue. In his soft, polite way, Riboud said that he was unhappy with the current arrangement and asked Seydoux to leave. "It was not a



harsh," Seydoux says. They talked for an hour, and then walked to the corporate offices on Park Avenue, where Seydoux asked his secretary to get him a reservation on the first plane to Paris. He left an hour later, never to return. "I didn't like it, but I understand that he was the boss," Seydoux remarks, adding that he is not bitter about the experience and that he and Riboud occasionally see each other socially.

Riboud, as he demonstrated with Seydoux, is not timid about firing people. "Jean has less difficulty facing up to tough personnel decisions than any other executive I know. Most executives dread it," Felix Rohatyn says. Carl Buchholz, an American who started as an engineer, was once vice-president of personnel, and is now president of The Analysts, says, "One of my predecessors sat outside Riboud's office all day, and Riboud wouldn't talk to him. If someone was blowing hot air in my office, I'd say, 'Get the hell out of here!' If you're blowing hot air around Riboud, he'll smile and put his arm around you and walk you to the door and make you feel good—and you'll never get in there again."

A man who sulks after losing at golf or at gin rummy—something that Riboud does—is capable of holding grudges. "When something goes wrong, it's finished," says Jeanine Bourhis, Riboud's secretary in Paris for the past thirteen years. "Jérôme Seydoux was family. He liked Jérôme very much, too. And all of a sudden—*phiff!*" In 1971, without receiving permission, Jean-Jacques Servan-Schreiber, a longtime friend and ally on the French left, announced to the press that Riboud was a political supporter. Riboud soon sold all his shares in *L'Express*, Servan-Schreiber's magazine, and for ten years refused to speak to him. In 1966, Riboud was enraged when Magnum Photos, which, by Riboud's estimate, had received about a million dollars in business from his company, sued Schlumberger for losing a few negatives. Riboud issued an order never to give Magnum another piece of business, though he had been one of the company's early and enthusiastic supporters. "He never forgets," says Henri Cartier-Bresson.

"Riboud handles personnel matters as if no personalities were involved," says Benno Schmidt, who is a managing partner of J. H. Whitney & Com-

pany member of Schlumberger's board from 1973 to 1982. "If he considers you the wrong man, he'll remove you in five seconds. He's invariably generous as far as the personal welfare of the person is concerned, but he feels no obligation to keep people in jobs they're not doing. It's matter-of-fact." Several months after making those remarks, Schmidt himself felt the cold side of Riboud. Riboud visited Schmidt in his office, on Fifth Avenue, and told him that after prolonged deliberation he had decided that Schmidt and three other board members should retire. (Board members who were not also employees of the company received twenty-four thousand dollars annually for their services, and nine thousand more if they served on the executive committee, the audit committee, or the finance committee.) Riboud did not ask whether Schmidt, a sometime golfing partner and a member of the Schlumberger executive committee, wanted to step aside. He simply told Schmidt politely that he must go. Riboud explained that he was reimposing a mandatory retirement age of sixty-eight for board members in order to ease a particular individual off the board and also to inject "new blood" into the corporate leadership. Riboud said that he saw no way to avoid applying this rule to his friend Schmidt. Schmidt had risen from poverty in Abilene, Texas, to become editor-in-chief of the *University of Texas Law Review*, a professor of law at Harvard, an Army officer during the Second World War, a managing partner of J. H. Whitney, and an intimate of Presidents and senators. His pride was wounded, but he did not complain. Riboud, knowing his associate, was prepared to assuage the hurt. He said he would like Don E. Ackerman, one of Schmidt's protégés at J. H. Whitney, to take his seat on the board, and he invited Schmidt to attend subsequent board and executive-committee sessions, including the summer board meeting in Paris.

At the quarterly gathering of the board in New York on February 18, 1982, Riboud gave Schmidt and the other deposed board members an elaborate sendoff. Speaking from handwritten notes, he said that reimposing the mandatory retirement age was "one of the toughest decisions of my professional life." He then paid tribute to each retiring board member. The

"forcefulness of his personality," he said, gave Benno Schmidt "a unique position on our board." The "financial background" and "the gentleness, the charm of his personality" made Ellmore C. (Pat) Patterson, former chairman of the Morgan Guaranty Trust Company, "the best member of the finance committee." Jacques de Fouchier, chairman of the Compagnie Financière de Paris et des Pays-Bas (Paribas), which is one of the largest banks in France, brought to the board "simplicity" and "steadfastness" and "judgment . . . unsurpassed in my business experience."



Finally, he said of Françoise Primat, a daughter of Marcel Schlumberger and the owner of the largest block of Schlumberger stock (four per cent), that although she "did not talk very much" and had missed a score of meetings since joining the board, in 1965, "I have not known a more loyal, friendly, active supporter."

Riboud understood that the moment called for diplomacy, but he also knew that the time had come to bring fresh thinking to the board and to begin preparing for an eventual successor. He had harmonious relations with all four of the deposed board members, but the one he was genuinely sorry to lose was de Fouchier. "I can't retire Pat and Schmidt at sixty-nine and not retire de Fouchier at seventy-one," he said. Those close to Riboud say that he felt Schmidt had become too set in his ways, too predictable, and that there was also some concern that he was pushing to become chairman of the board—a position from which he might influence the choice of Riboud's successor. When Patterson retired as chairman of Morgan Guaranty, several years before, he weakened his claim to represent what Riboud called "the Eastern financial establishment." Riboud wanted such a representative to head the company's audit committee, of which Patterson was also a member. To replace Patterson, Riboud sought the current chairman of the bank, Lewis T. Preston—a move that softened the jolt to Patterson. However, Riboud asked Preston to resign from the board of General Electric before joining Schlumberger's board. Preston said no, because his rival Walter Wriston, the chairman of Citibank, was also on the G.E. board. On the other hand, Preston did not wish to relinquish his bank's invest-

Morgan Guaranty Trust Company made loans of nearly two hundred and fourteen million dollars to Schlumberger, and received interest payments of twenty-five million dollars and fees of two hundred and eighty-three thousand dollars.) Preston suggested another Morgan executive as a replacement for Patterson. Having anticipated this countermove, Riboud not only rejected it but had already asked Richard Shinn, then the chairman and chief executive officer of the Metropolitan Life Insurance Company, to serve. "I took a little gamble by talking to him before I talked to Preston," Riboud admits. Françoise Primat was deposed for several reasons. Not only had she missed many meetings but she had hoped to have her son, Didier Primat, who was then thirty-eight years old, take her place—a hope that Riboud did not share. Riboud saw the prospective vacancy as an opportunity to engage in some family fence-mending. To replace Françoise Primat, he selected Jérôme Seydoux's younger brother Nicolas, a Paris businessman, who was then forty-two. Before making the commitment, however, he warned Nicolas Seydoux that his "obligation was to the stockholders, not the family."

Riboud was left with a board whose outside directors balanced several of what he calls his "constituencies." The Schlumberger family is represented by Nicolas Seydoux; by George de Ménil, forty-two, a son of Dominique and Jean; and by Pierre Marcel Schlumberger, forty, a Houston attorney, who is a son of Pierre. The American financial establishment is represented by Shinn, sixty-five; the French business community is represented by Renault's chairman, Bernard Hanon, fifty-one, who replaced de Fouchier; Houston's establishment is represented by George H. Jewell, sixty-one, a law partner in the influential firm of Baker & Botts; Wall Street is represented by Felix Rohatyn, fifty-five, a general partner in Lazard Frères & Company, which received \$1,565,949 in fees for handling Schlumberger's acquisitions in 1981; and access to the intellectual and technological community is provided by Jerome B. Wiesner, sixty-eight, the former science adviser to President John F. Kennedy and currently the president emeritus of the Massachusetts Institute of Technology.

Riboud's ability to control the membership of the board is but one example

of his absolute command of Schlumberger. Over the years, he has dismissed from the company four family members: Marcel Schlumberger's only son, Pierre; Marcel's daughter Françoise Primat; Marcel's grandson Jérôme Seydoux, who was also the son of Riboud's former boss; and, in 1958, Eric Boissonas, who had married Conrad Schlumberger's youngest daughter, Sylvie, and was a vice-president of research. (Boissonas was dismissed because Riboud and Pierre Schlumberger were dissatisfied with his performance.) In each case, Riboud felt that for the good of the company he had to ignore personal sentiment. Jerome Wiesner says of Riboud, "He can separate his human feelings and what he feels is necessary for the company. Any successful chief officer must. The worst failing of any executive is the inability to separate his personal regard for people from his judgment of what is necessary for the welfare of the company."

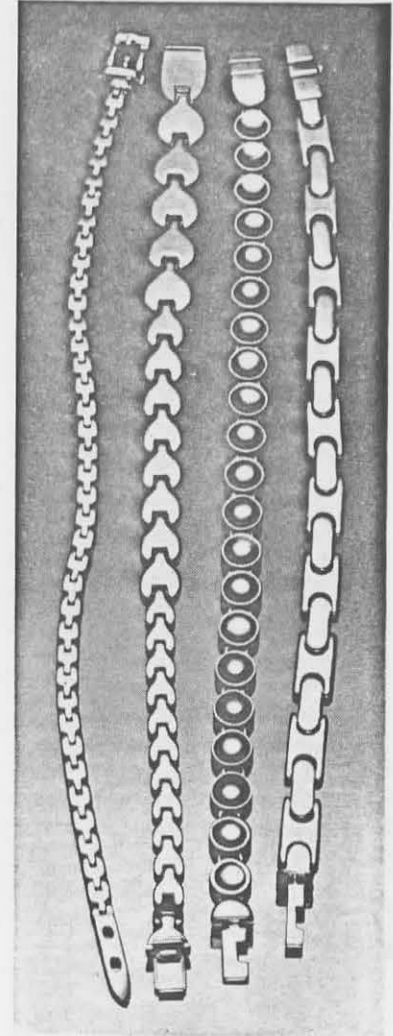
Whatever personal pain Riboud feels is soothed by the conviction that loyalty to the company outweighs personal loyalties. He believes that he is simply doing his duty. "If you want to be St. Francis of Assisi, you should not head a public company," he says.

At the beginning of 1982, seventy per cent of the world's active oil-drilling rigs outside the Soviet bloc were in the United States and Canada. Because of the current oil glut, the number of active drilling rigs in North America fell from four thousand seven hundred in January of 1982 to nineteen hundred and ninety in March of 1983, but that was still more than the twelve hundred active rigs operating in the rest of the non-Communist world. The United States produces more barrels of oil daily (about eight million six hundred thousand) than Saudi Arabia (about four million six hundred thousand). And Schlumberger's Wireline division generates forty-five per cent of the corporation's revenues and an estimated seventy per cent of its net profits. It is therefore not surprising that this division occupies much of Riboud's time.

On a recent Friday afternoon, Riboud, accompanied by André Misk, a former field engineer who is a vice-president and the director of communications, went to Teterboro Airport, in New Jersey, and boarded one of six jet airplanes belonging to the company for a flight to Houston. In Houston, Riboud stayed at the home of Ame

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Vennemā, who rose from field engineer to chairman of the executive committee before he retired, and who shares Riboud's love of gin rummy, golf, and modern art. Friday evening was set aside for a quiet dinner with Vennema and his wife, Kay. Saturday was devoted to golf with Vennema and George Jewell. Saturday evening, Riboud met Dominique de Mēnil on the Rice University campus, where they viewed an Yves Klein art exhibit that Mrs. de Mēnil, a patron of modern art, had helped bring to the Rice Museum. Riboud, who often disparages business fads and social fashions, does have a weakness for what he considers "new thinking," whether it is in art or politics. He was much taken with the monochrome canvases of Klein, a French artist who died of a heart attack at the age of thirty-four, and who was known for inviting the press to watch him jump from buildings to help prove that air was art, and for getting nude models to bathe in paint and roll on his canvases. Challenged about the value of Klein's art, Riboud says, "Who are we to know what will be important fifty years from now? People have dismissed Cubism and realism and modern art. That is the reaction people have to all innovation."

After seeing the exhibit, Riboud had dinner at Dominique de Mēnil's house—the first house ever designed by the architect Philip Johnson. Surrounded by works of such artists as Max Ernst, Jasper Johns, Robert Rauschenberg, and Giorgio de Chirico, they discussed, among other things, former Secretary of State Henry Kissinger, for whom Riboud has little respect. Riboud's animosity toward Kissinger stems in part because of Kissinger's views on foreign policy—what Riboud refers to as Kissinger's contempt for Western European opinion and for the Third World. He told Mrs. de Mēnil that Kissinger was too cynical, too disdainful of European opinion, had been too preoccupied with proving to President Richard Nixon that he was free of parochial loyalties to his native Europe. Riboud's attitude toward Kissinger is also based, in part, on a personal encounter in 1980. Riboud was spending a summer weekend at Southampton with Felix Rohatyn and his wife, Elizabeth. Together, they watched the televised Wimbledon final match between Björn Borg, of Sweden,



and John McEnroe, of the United States. That evening, they had cocktails with William Paley, then chairman of CBS, and Kissinger, who happened to be staying with Paley, and at one point the talk turned to the Wimbledon final. According to Riboud and another guest, Kissinger said, "I've met many people in my life, but the two people I cannot stand in the world are the Swedes and the Indians."

After a clumsy silence, Rohatyn said, "Henry, you know that Jean is married to an Indian woman?"

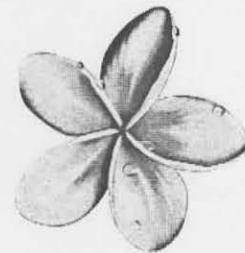
After another silence, Kissinger asked solicitously, "Where is your wife from in India?"

Riboud does not recall his response, but he does recall that this confirmed his worst suspicions about Kissinger's hostility toward Europe and the Third World. Kissinger says that he has "no recollection" of using such stereotypes, but adds, "It's possible in my life that I've said unfriendly things about Swedes or Indians in the context of their self-righteousness."

The next day in Houston, Riboud spent playing golf, and then he had drinks with Pierre Schlumberger and dinner at the Vennemas' with seven past or present Schlumberger executives and their wives.

On Monday morning at nine, Riboud went to the office of Ian Strecker, who has been in charge of Schlumberger's wireline, engineering, and manufacturing operations in North America since the beginning of 1982. Strecker is a burly, gregarious man of forty-three whose normal work outfit consists of cowboy boots, an open-necked sports shirt, and slacks. He joined Schlumberger twenty-one years ago in England, where he was born, and has since held twenty jobs in eighteen different locations. Part of Riboud's purpose in meeting with Strecker was to get a feel for him and other employees in order to gauge, in Marcel Schlumberger's words, "what kind of people are running my company." One of Riboud's preoccupations is that Schlumberger will lose its drive as a company and grow complacent—a concern he had discussed on the plane to Houston. "Any business, any society has a built-in force to be conservative," he said. "The whole nature of human society is to be conservative. If you want to

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innovate, to change an enterprise or a society, it takes people willing to do what's not expected. The basic vision I have, and what I'm trying to do at Schlumberger, is no different from what I think should be done in French or American society." In other words, sow doubt. Rotate people. Don't measure just the profits in a given division —measure the man in charge, too, and his enthusiasm for change. Strecker's predecessor, Roy Shourd, learned at first hand just what Riboud means. Shourd headed the North American Wireline division from 1977 through 1981, and in those years its profits rose an average of thirty per cent annually. But Riboud worried that Shourd was growing complacent with success, that he was surrounding himself with an inbred group of executives and becoming too clubby with the Houston oil establishment, so late in 1981 he suddenly shifted Shourd to New York and a staff job. (Typically, one year later, in another surprising move, Riboud elevated Shourd to the position of executive vice-president for drilling and production services. Riboud was satisfied that Shourd's year in exile had reignited his competitive spirit.)

This visit to Houston allowed Riboud to take the measure of Strecker, whom he did not know well. Strecker's office is in a three-story red brick building overlooking Houston's Gulf Freeway. Strecker and Riboud sat down at an oval cherrywood conference table, and then Riboud, who had arrived with no reports or notes, silently inspected his fingernails, formed his long fingers into a steeple, on which he rested his chin, and began the meeting. He asked how Strecker's wife, Elaine, had adjusted to Houston, how their two sons, who had remained in school in England, were getting on, how the Streckers had enjoyed a recent visit to England. Before long, the meeting got around to specific employees. Riboud made detailed comments on them, giving not only his impression of their abilities but also his impression of how well their abilities were matched to their jobs. He emphasized that final judgments on all employees were Strecker's to make. After Riboud had finished with the personnel matters, he asked Strecker if he had been spending much time in the field—among eighteen hundred field engineers whom Schlumberger employed in North America.

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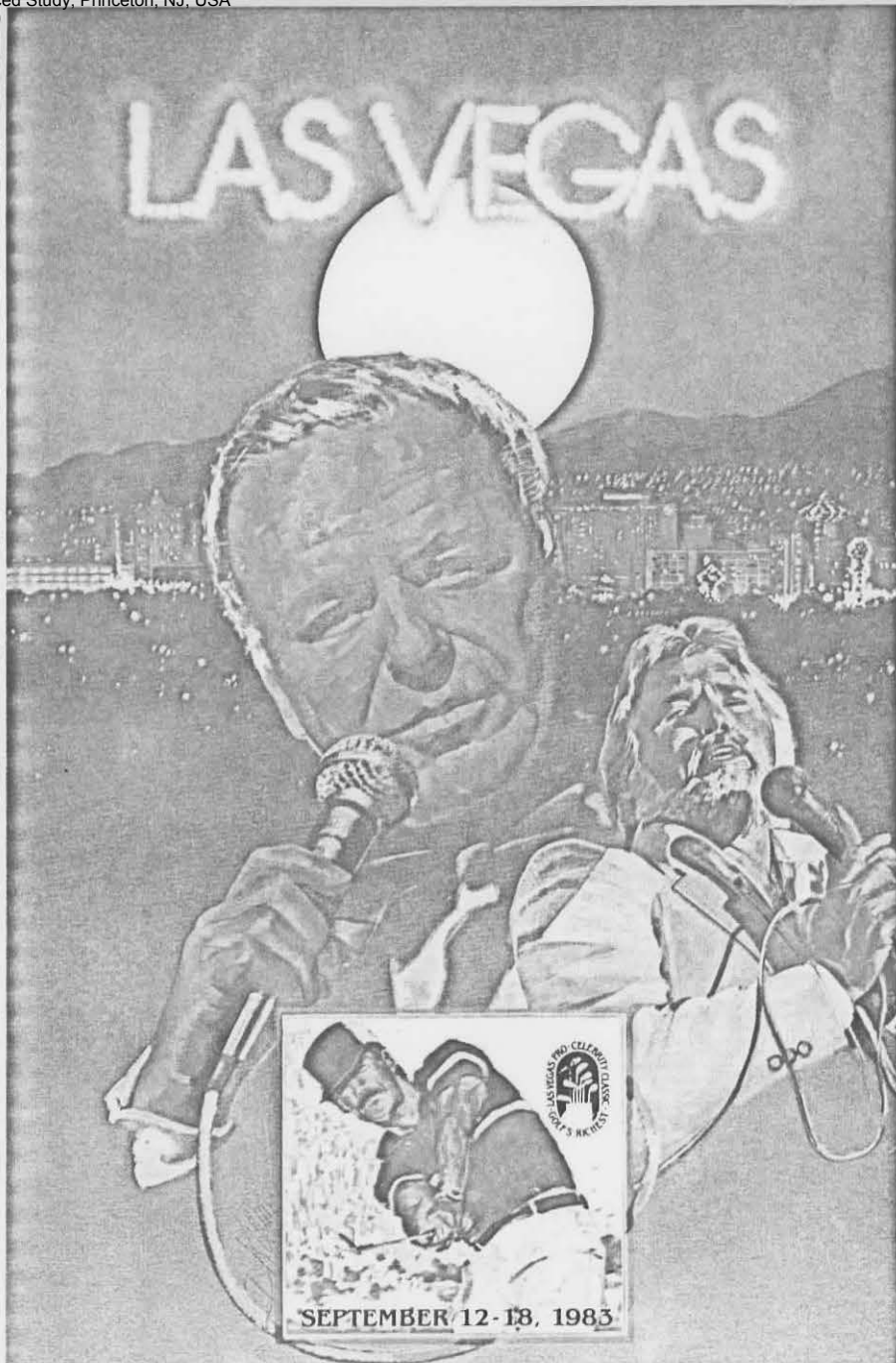
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engineering," Strecker replied, referring to engineering research. "So I'm spending most of my time there now." He said that the next day he would join all the engineering department heads for a three-day retreat in California, at which they would evaluate priorities and challenges. Riboud suggested that the engineers might want to consider pushing the manufacturing section of Schlumberger Well Services, in Houston, which produces sixty per cent of the equipment used by the Schlumberger field engineers. Even though this is more than the company's other manufacturing plant, in Clamart, France, produces, Riboud is not satisfied. He wants Schlumberger to become totally self-sufficient—to farm out less work to such companies as Grumman and International Harvester, which makes the frames for Schlumberger's trucks.

There was a long silence. Riboud sat inspecting the fingers of one hand, and finally Strecker asked if Riboud had any further questions.

"I've got a major concern about what happens to your business in the next few years," Riboud said. He then noted that Strecker's monthly report for January, which he had received in New York, revealed that North American logging operations were eleven per cent below plan and that operations in completed wells—so-called cased-hole explorations—were five per cent below plan. "The January report blames the weather," he said. "But then I read and see that the biggest decline was in log interpretation, and you can't blame the weather for that." Riboud said he was confident that the world would remain dependent on oil for at least fifty years longer, but he added that two unknowns threatened oil exploration—and thus Schlumberger revenues—in the immediate future. One was the faltering American economy. The other was a decline in the price of oil.

Even in a recession, Strecker said, independent oil drillers can earn enough to continue searching for oil as long as the price is at least thirty dollars a barrel. He observed that after President Carter began to decontrol the price of oil, in 1979, the number of oil rigs in North America climbed from twenty-five hundred to forty-seven hundred and fifty between 1979 and 1981. "Decontrol caused that rapid growth," Strecker said. But now, with the real price of oil declining, with the economy in recession, and with abundant, if perhaps tempo-



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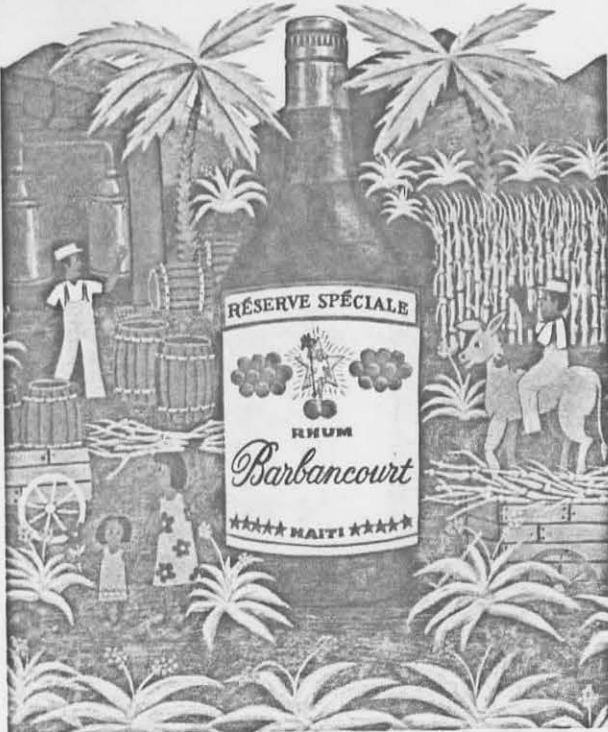
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rary, oil surpluses, the number of rigs was back down to just under twenty-five hundred. Strecker said the natural-gas picture was totally different, with supplies plentiful but the price "probably too high."

"It's funny—the gas manufacturers are lobbying in Washington today against decontrol of all gas prices," Riboud said.

If gas should be fully decontrolled, Strecker said, gas producers would not be able to sell all their supplies in this sluggish economy, and the price should drop. (It has not yet done so.) With lower prices, gas producers would concentrate on shallow-well drilling, which was less expensive. Deep-well drilling would become prohibitively expensive, just as it was for independent oil prospectors whenever the price dipped below about thirty dollars a barrel.

Riboud and Strecker, their session over, walked to the office of Robert Peebler, the North American Wireline's vice-president of finance, to review the division's business projections for February. Surveying the expected rig counts of Schlumberger and of its competitors, Riboud seized on the figure of ninety rigs credited to competitors off the Gulf Coast. "I'm always surprised by how many offshore rigs our competitors have," he said. Peebler replied that competitors had only ten per cent of the offshore market, but this did not seem to appease Riboud; he asked Peebler to forward an analysis of the situation to his New York office. Riboud's message was clear: Only total victory counts. Schlumberger could lose its edge; competitors with more to prove could be hungrier and more aggressive. Already, Wall Street analysts who examined oil-field-service companies had reported that Dresser Industries' Atlas Oilfield Services Group, a worldwide competitor, was leading in the development of the Carbon/Oxygen log and the Spectralog—two advanced logging tools. Gearhart Industries, which was bidding for a larger share of the American market, claimed to have hired three hundred graduate engineers in 1981—an increase of a hundred per cent over 1980. (Because of the drop-off in drilling and the recession, the number fell to a hundred and forty in 1982.) Schlumberger remains far ahead of its competitors, but to stay there, Riboud feels, it must continue to challenge its employees.

After Riboud's meeting with Peebler came a slide presentation by engi-

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neers and scientists, who talked about such things as a "neutron porosity tool," a "Gamma Spectroscopy Tool," the "radial geometric factor," and the "finite element code." The advanced technology that such arcane terminology represents is perhaps the major reason that Schlumberger stays ahead of its competitors—who concede that Schlumberger's tools are generally more advanced than theirs. And since Schlumberger spends a hundred and twenty-five million dollars annually on wireline research—a sum greater than the profits of any wireline competitor—its lead will be difficult to overcome. Much of the research is designed to perfect drilling and logging tools that help identify hard-to-reach oil in already drilled wells and help extract it. This residual oil is expensive to recover, and oil companies claim that as long as the price per barrel stays below thirty dollars pursuing it is not profitable. (This permits them to argue that it is in the consumer's interest to pay higher prices for oil.) But if the price rises above thirty dollars, and if supplies become scarce (they are now abundant), new opportunities await the oil companies and Schlumberger. An analysis made by Philip K. Meyer, a vice-president with the Wall Street firm F. Eberstadt & Company, in April of 1981 explains why: "We have found in the U.S. roughly 450 billion barrels of original-oil-in-place of which only some 100 billion barrels have been produced to date. This means we know the location of 350 billion barrels of remaining (residual)-oil-in-place. . . . If only a third of this residual-oil-in-place were to economically respond to tertiary recovery, over 100 billion barrels would be added to U.S. reserves."

Riboud listened intently to the engineers and scientists, and when the presentation was over he said, politely, "I have read all this. You are just preaching motherhood. Where are the problems?"

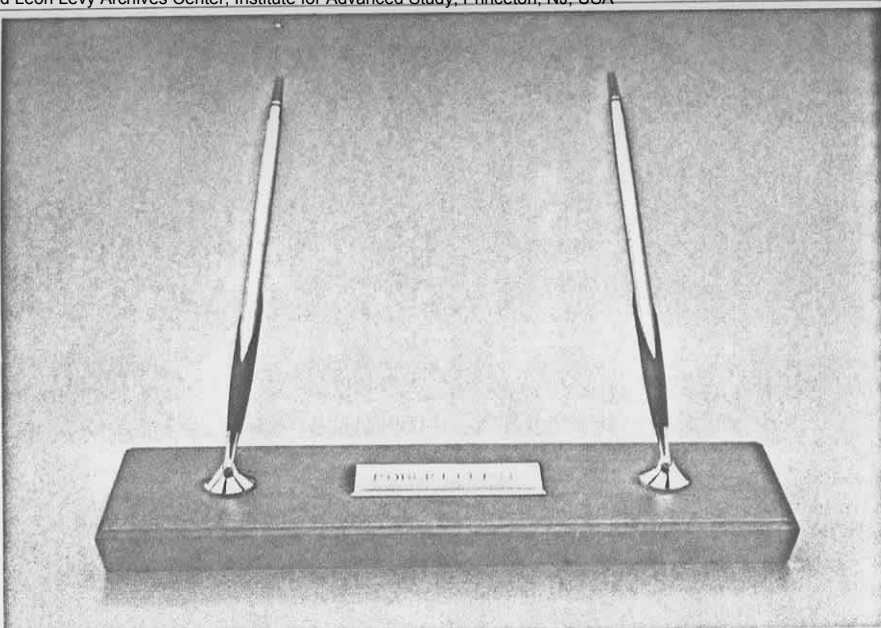
One problem, Ian Strecker responded, is that there is some duplication between Houston's research operation and the research pursued at the Schlumberger laboratories in Ridgefield, Connecticut, and in Clamart, France. This problem is not new to Riboud. Early in 1982, Jerome Wiesner and Jean Babaud, a vice-president, jointly wrote a "Report on Research and Engineering," covering ten years, for Schlumberger's executive committee, of which Riboud was chairman. The authors praised



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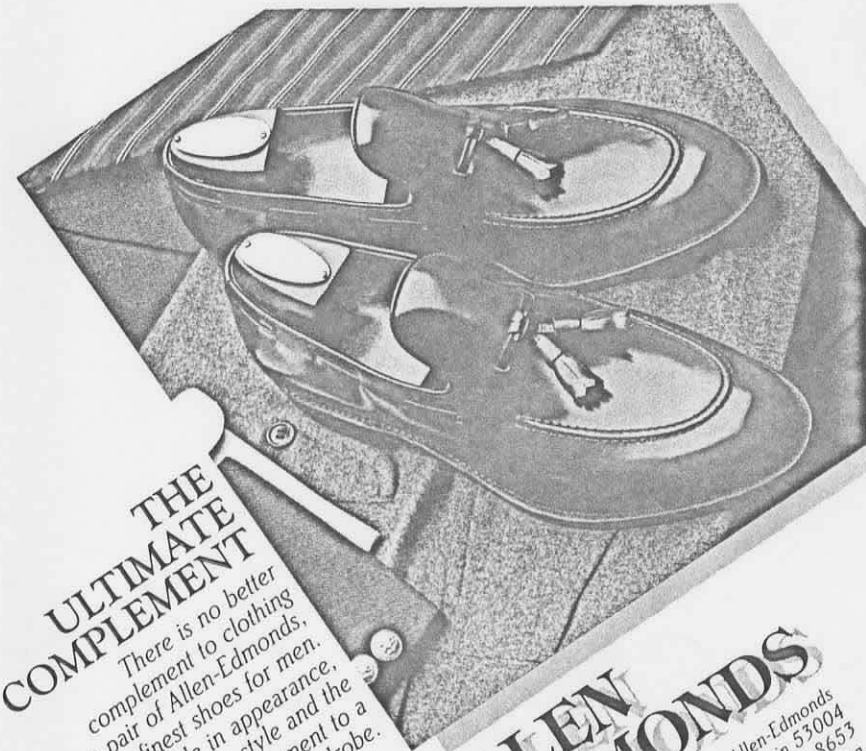
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Schlumberger's research but said that the company's success had brought about "an embarrassment of riches." As a step that would improve coordination, they urged the creation of a new position—vice-president and chief scientist. The man who held it would supervise all research and report directly to Riboud. Wary of bureaucracy, Riboud at first resisted the recommendation, but he later changed his mind and, as part of a corporate reorganization, appointed Babaud to a staff job as senior scientist, with responsibility to analyze but not to direct all research.

Not long after the engineering presentation, Riboud had lunch in the executive dining room with three dozen section heads, most of them in their late twenties or early thirties. A number of them said that at Schlumberger they didn't feel isolated in their offices or laboratories, as they had at other places they had worked, and that they weren't dependent on memorandums or rumors to gauge the reactions of their superiors.

"I was at Bell Labs for four years, and I don't think I ever met the vice-president of research," said Dennis O'Neill, who was head of the informatics section and had been with Schlumberger for five years. "Here within six months I was making presentations to the executive vice-president of the Wireline." James Hall, who had been employed by Schlumberger for ten years, said he had had the same experience. "It's a lot more personal at Schlumberger," he said. With a Ph.D. in nuclear physics from Iowa State University and two years of advanced doctoral work at the Swiss Federal Institute of Technology, in Zurich, Hall was the head of the engineering-physics section. While he was completing his studies, he worked for Mobil Oil. "You felt more isolated there, because contact with management was much less," he said of that experience. "You had contact just with your bosses. You didn't feel the direct contact with your managers you have here. It tends to build more of a team spirit when not only your boss comes to talk to you about a project but several levels of command above as well. To me, in engineering that's what the Schlumberger spirit is. The individual design engineer feels that the responsibility of the company is placed on him."

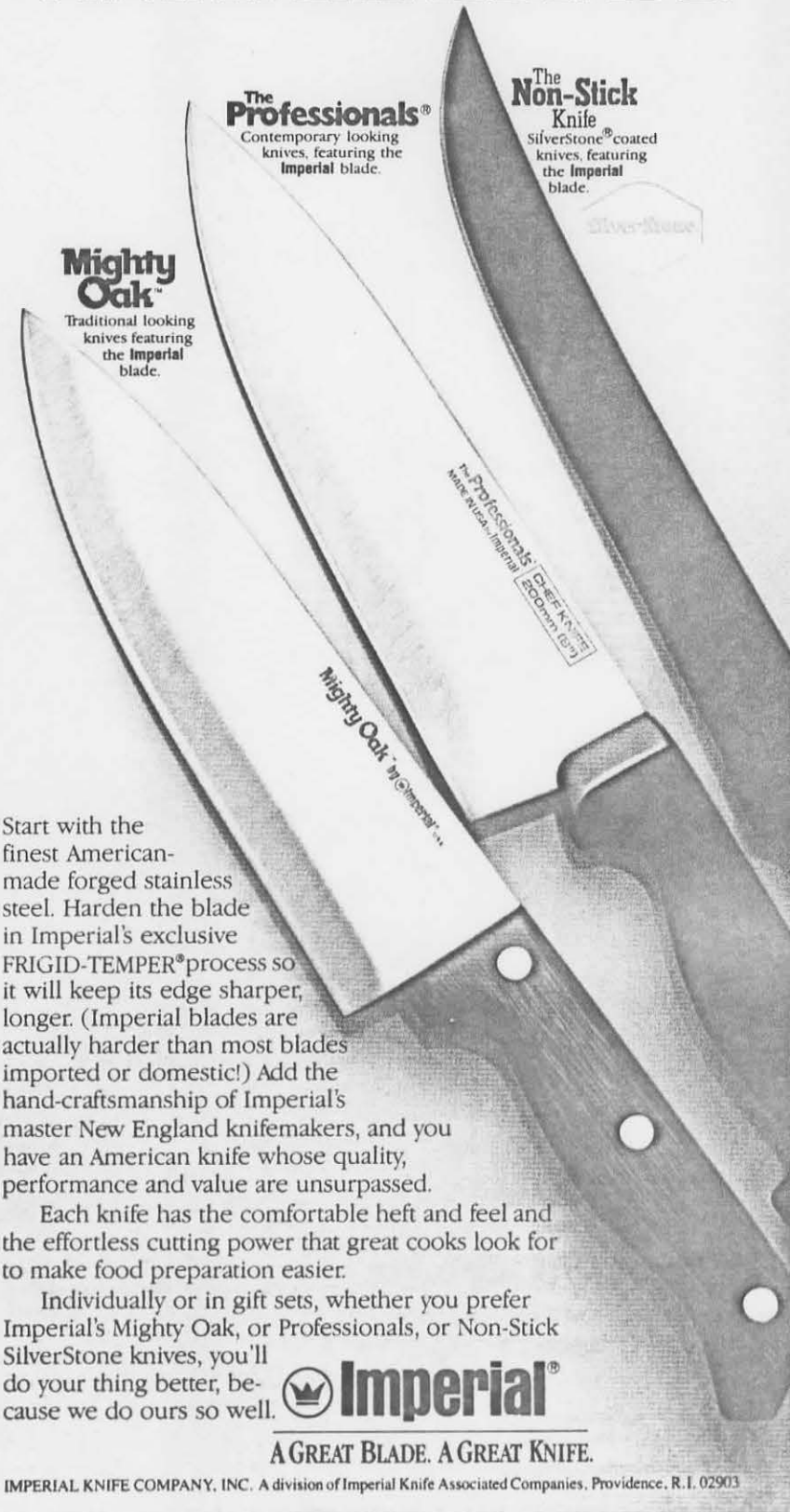
In Riboud's field visits, time is often set aside for questions from employees like Hall. During the lunch in Hous-

ton, the first question was from a young engineer-researcher, who asked for Riboud's "view of the non-wireline" part of Schlumberger's empire.

"You are an engineer," Riboud said. "Be a little more precise in your question." Riboud did not wait for the young man to rephrase the question. He apparently sensed that, like many wireline employees, the young man was concerned about Schlumberger's purchase, for four hundred and twenty-five million dollars, of the Fairchild Camera & Instrument Corporation—a giant semiconductor company, which lost thirty million dollars the second year after the purchase. Now Riboud went on, "The question is really: When we have this little jewel of a wireline business, why do we bother à la Fairchild and so forth? It's really a philosophical problem. Why does the company have to grow, and in which direction? I'm not saying I'm right, but I feel two things—two dangers. One danger is of becoming a conglomerate and trying to do everything. The other danger is of just staying a wireline company. I don't think we could have maintained the profit margin we had and the motivation of our people if we'd done that. The real problem in any organization is to have new challenges, new motivations."

Riboud then told his audience that employees had also been nervous when Schlumberger branched out into the drilling business, in 1952. Today, the company's Forex Neptune subsidiary is the world's largest oil-drilling company. And employees were nervous again, he said, when, in 1970, Schlumberger acquired the Compagnie des Compteurs, the electric-meter manufacturer. Schlumberger paid seventy-nine million dollars for that company. In 1981, its after-tax earnings were more than seventy million dollars. Riboud said that while the Wireline was Schlumberger's chief benefactor, generating seventy per cent of the corporate profits, the division could not continue to expand at an annual rate of between thirty and forty per cent, because of the predicted slowdown of the oil business over the next several years. New outlets for corporate energy must be found, he said. In this sense, Riboud subscribes to the views propounded by Thomas J. Peters and Robert H. Waterman, Jr., in their book "In Search of Excellence: Lessons from America's Best-Run Companies"—a book that, incidentally, identifies Schlumberger as one of

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The Fairchild subject had not been put to rest, for another employee then asked about Schlumberger's stock, which had fallen from an all-time high of eighty-seven dollars a share in November of 1980 to forty-seven dollars in February of 1982. (It dropped to thirty-four dollars in August of 1982, and then rose to forty-six dollars in May of 1983.)

Riboud replied that he had long ago given up trying to fathom the behavior of the stock market. "I couldn't care less, and let me explain that," he said. "Fundamentally, we must keep in

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mind that we are responsible on a longer-term basis for the performance of Schlumberger. I say longer-term because one of the things wrong with American industry is its preoccupation with quarterly statements. So the fundamental question is: Where will Schlumberger's earnings be five years from now? If we do our job—that's what I'm concerned about." (Last fall, however, when the value of Schlumberger stock was thirty-seven dollars and seventy-five cents a share, and Riboud alone had lost about thirty-six million dollars, he said, "What has happened to the stock market is a real problem. It's never pleasant to see your wealth cut in half.")

Lunch was followed by a session with department heads from the manufacturing division, which employed nine hundred and fifty people and produced four hundred million dollars' worth of field equipment annually. The heads of the materials-management and purchasing sections presented Riboud with flow charts and graphs showing a steady rise in their productivity, and spoke in the self-assured language of American business schools. Riboud's eyes narrowed. He listened politely but impatiently; finally he leaned forward with his elbows on the conference table and explained why the company could not measure productivity by price or sales alone. "Since we are selling equipment to ourselves, it is hard to measure," he said. There was no competition over price or product or speed of production, he said, and the charts were therefore relatively worthless.

Later that afternoon, Riboud met with the twenty-seven executives and department heads who supervise the North American Wireline division. Many of them also inquired about the acquisition of Fairchild and about Schlumberger's stock. And they asked why Schlumberger had organized a division in the Far East much like the one in Houston. Japan and the rest of the Far East, Riboud repeated, are the frontier of the eighties, as Houston was in the late forties and fifties. There are vast reserves of oil in China. The Japanese have moved ahead of the West in consumer electronics and office automation; they are threatening to move ahead in the development of computers, semiconductors, and genetic engineering. Singapore, Hong Kong, South Korea, Taiwan, and Japan manufacture goods more cheaply and more efficiently than the West does. If Schlumberger does



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not feel the threat of competition in North America or the Middle East, then it will feel it from the Far East. Schlumberger has been so successful for so long, he said, that it risks losing its "intellectual humility." He added, "We have the King Kong attitude."

The next morning, Riboud travelled by helicopter to Schlumberger's new Perforating Center, at Sandy Point, thirty miles south of Houston. The property, a hundred and eighty-nine acres of open land, is rimmed by concrete bunkers; the smell of gunpowder is in the air; and explosions go off intermittently. Here Schlumberger each year manufactures up to a million and a half shaped charges. (Every two-hundredth charge is detonated as a test.) A typical charge is the size of a pear, and consists of a cone-shaped copper liner dusted with explosive powder which is slipped into a steel shell. When the charge is detonated, a bulletlike missile pierces the casing and the concrete outer wall of a pumping well, permitting oil or gas to flow in. Since almost all producing wells have been protected with steel and concrete casings to prevent collapse and to keep out other fluids, the only way to log such a well without destroying its walls is with a shaped charge.

Riboud toured the center and then went to the company cafeteria, where he had coffee with several dozen employees. Gene Pohoriles, the general manager of this unit, was a veteran Schlumberger engineer and, like many old-timers, wore in his lapel a gold Schlumberger pin, with stars that symbolize the number of years he has served the company. Pohoriles introduced Riboud to the employees and then asked the first question: Why did Schlumberger dilute the value of its stock by buying Fairchild?

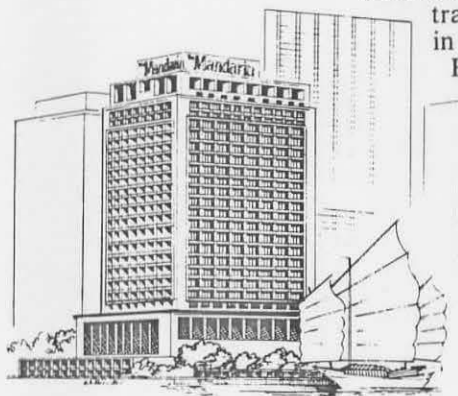
"Let me be blunt about it," Riboud answered. "What people in the Wireline are asking is: Why did Riboud screw up the Schlumberger stock by purchasing Fairchild?"

"Close," Pohoriles said. Fairchild was a necessary acquisition, Riboud told him. "I felt strongly that twenty years down the road we had to have a semiconductor capability." He said that because Germany had not invested in semiconductors it had become a captive of Japanese and American computer technology. Schlumberger's basic business, he went on, is information, not oil, and what the Wireline does is provide information to oil companies to help them

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make accurate decisions. The next generation of wireline and meter equipment, he said, will be more dependent on tiny microprocessors and semiconductors, and he predicted that in five years Fairchild would be "among the top five semiconductor companies in the world, including the Japanese."

That evening, four days after Riboud had arrived in Texas, he boarded the company jet to return to New York. The trip had served three purposes, he said on the flight. "One, it gives me a certain general feeling for the ambience, the people—how they feel. Two, it gives me a specific judgment on a certain number of people. Three, it permits me to judge certain business problems. I get a lot personally out of this. The question-and-answer sessions are helpful. One way to test people is by the questions they ask—by the freedom or lack of freedom of their questions. The field people are a lot freer than the headquarters people. And the Europeans are a lot less disciplined than the Americans. Americans are careful. Take the session yesterday with the manufacturing people. The stuff I heard—the management-school type of thing I heard—was quite illuminating. Whereas the conversations I had with the engineering people were good."

Riboud's reaction to Pohoriles—admiring his courage while excusing what Riboud thought was an ignorant question—hinted at Riboud's style of management at Schlumberger. On several occasions, he has said that the company's goal should be "to strive for perfection." To this end, he searches for fighters, for independent-minded people who don't, in his words, "float like a cork." In 1974, when he appointed Carl Buchholz his vice-president of personnel, it was largely because Buchholz was not afraid to speak out. Riboud recalled first seeing Buchholz at a Schlumberger management conference in near Geneva. "All the people were reciting the Mass, and suddenly Buchholz said, 'You're full of it!' I said, 'This is a fellow who speaks his mind.'" The subject under discussion at the conference, Buchholz later recalled, was the development of managers. The executives in attendance rose, one after another, to congratulate themselves on their success, and finally Buchholz stood up and said that in fact the executives were not successfully developing managers at all. A debate en-

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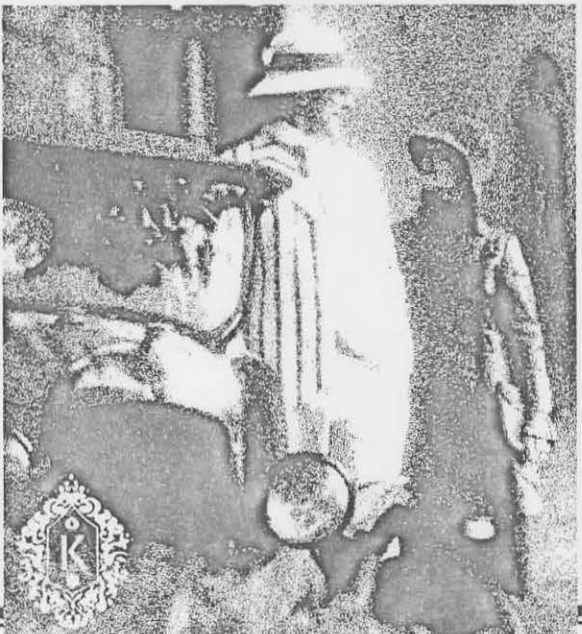
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sued, and Riboud sided with Buchholz. Afterward, Riboud made a point of getting to know him, and not long after the conference Buchholz, who had been assistant vice-president of operations for Schlumberger Well Services, in Houston, was promoted to vice-president of personnel and transferred from Houston to New York, where he quickly developed a reputation as an in-house critic.

In this respect, Buchholz was like Ame Vennema, one of his predecessors. Vennema held a series of posts, including head of international electronic and measuring services, chief of staff, and chairman of the executive committee. He became what Riboud calls his "American conscience." Vennema and Buchholz are from the Midwest; they are men of simple values, Riboud says, who have "the courage of their convictions." Claude Baks, of Schlumberger's Paris office, has observed, "Vennema was one of the few who dared to tell Riboud what he didn't want to hear." Executives would go to Vennema to test an idea before taking it up with Riboud, and if Vennema didn't like it he would simply make a rude noise. Both Vennema and Buchholz performed the role that Riboud wanted them to perform, but they were considered odd, at best, by some colleagues. Employees recall that Vennema never said good morning, and that if you happened to ride up in the elevator with him and said good morning he would grunt as if he were being assaulted. Buchholz had no permanent residence in New York for the five years he worked out of Schlumberger's New York office; during that period, his base of operations was a room at a Howard Johnson's motel in Darien, Connecticut.

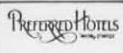
Of all the people who have surrounded Riboud at Schlumberger over the years, probably none has been closer than Claude Baks, who was hired by Marcel Schlumberger as an engineer in 1946 and left the company only last fall. An enigmatic man with a blunt manner, Baks had no official duties, but he could enter any meeting uninvited and he reported only to Riboud. He was born in 1917, in Latvia. His parents were Jewish, and with the outbreak of the Second World War he joined the Free French Army, fighting in North Africa and Europe. On assignment for the company in Venezuela some years after he was hired, Baks met Krishna and Jean Riboud, who were travelling there. When he returned to Paris on holiday,

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he looked up the Ribouds, and became close to them and their son, Christophe. Riboud, who was then general manager of Schlumberger's European operations, had a hand in getting Baks transferred from Venezuela to Paris, where he was given a staff job. Admiring Baks' independence, Riboud asked him to become his adviser. At this time, Riboud, with Henri Langlois, was raising money to finance a twelve-hour film, directed by Roberto Rossellini, about the history of the world. (They raised five hundred thousand dollars, including a hundred thousand dollars from Schlumberger.) Baks shared Riboud's interest in film, and worked closely with both Langlois and Rossellini on Riboud's behalf. Baks had no family of his own, and the Ribouds in effect became his family.

Riboud and Baks were an unlikely pair. Riboud is a man of delicate appearance and subdued manner. Baks has bushy black eyebrows, a stubby black beard, and a bulbous nose; he is missing a few front teeth. He has a deep, raspy voice, which some find intimidating, and he is usually wearing a dirty raincoat, and a baggy sports jacket and baggy pants. His office, a cubicle on the fourth floor of Schlumberger's Paris headquarters, was just two doors from Riboud's. He kept the blinds closed and would not open the windows, and visitors seldom stayed long. The walls were bare, the desk top was clear, and besides the desk the only furniture was two chairs and three metal file cabinets. Yet fellow-employees went to Baks' office to try out ideas, to get clues to Riboud's thinking, to learn something of the company's history, to ingratiate themselves with Baks.

In trying to explain the role that Baks played, Riboud has said, "His main contribution at Schlumberger has been to prevent Schlumberger from becoming an establishment." He went on, "He has never had a title in thirty-five years. He has never had a secretary. He has never written a letter. He has no responsibilities. Schlumberger is not a bank where everyone has to have a niche. Over the years, he's had more purpose than ninety per cent of the people I know. He forces people to think." What Baks helped do was keep alive, under chairman Riboud, a sort of permanent "cultural revolution" at Schlumberger.

In 1982, there was considerable speculation about Baks' future—particularly after Riboud's reimposition of a mandatory retirement age for the

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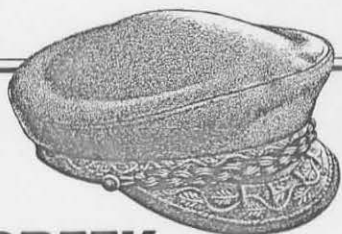
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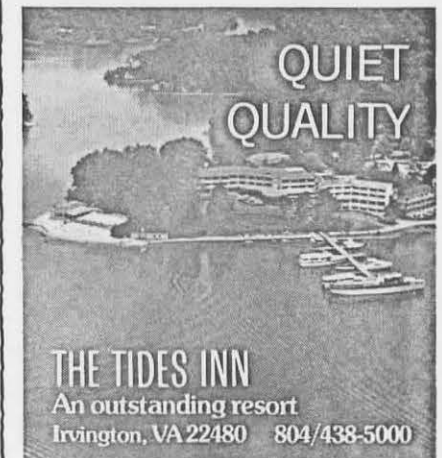


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would turn sixty-five, the mandatory retirement age for employees, and associates wondered whether Riboud would stretch the rules for him. On being asked about this in the spring of 1982, Baks said, "Maybe I won't leave. Maybe he'll return me as an adviser. He once told me we'd both leave together. But I don't ask anything." When September came, Riboud went against the speculation within the company and announced the retirement of Baks.

Baks remains bitter about this, but, like others, he knows that Riboud is a master of the unexpected. "Generally, after a while people repeat themselves," observes Michel Vaillaud, who until December of 1982 was one of two Schlumberger executive vice-presidents for operations, his sphere being all oil-field services. "You know what they will ask you. With him, you never feel safe. Never." Vaillaud, who is fifty-one years old, is a lean, regal-looking man. When he met Riboud, in 1973, he was a career civil servant. He had graduated first in his class from L'École Polytechnique, which Conrad Schlumberger attended, and which is acknowledged to be the best scientific school in France. He then received an advanced degree from mining and petroleum schools, and, entering the Civil Service, rose rapidly in the French Ministry of Industry. When Riboud and Vaillaud met, Vaillaud was the Ministry's director for oil and gas. Some weeks later, Vaillaud recalls, Riboud offered him a position at Schlumberger. Although Vaillaud's training and experience were in petroleum, Riboud asked him to move to New York and become vice-president of Schlumberger's electronics division. Vaillaud spoke little English, and he felt unsure of himself in electronics, but he accepted the offer.

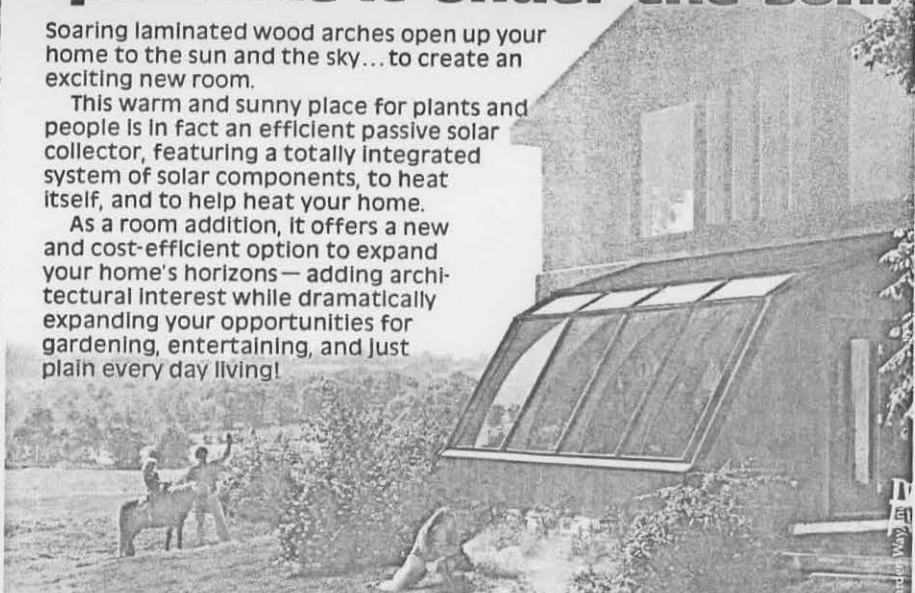
Two months after Vaillaud took the job, Riboud called and asked to spend the day with him in New York. Vaillaud remembers feeling that he gave inadequate answers to persistent questions from Riboud. "I came back and told my wife, 'We should pack—I'm going to be fired.' Then I heard nothing the next day, or the next." At the time, Vaillaud did not understand that his uncertain technical answers to Riboud's questions were secondary. Riboud was taking his measure as a man, not as a technocrat. Computers could give out data; Riboud was searching for character. Two years later, Vaillaud returned to France as

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president of the Compagnie des Compteurs. Then, in 1981, when Riboud decided to divide Schlumberger into two basic parts—the Oil-field Services, and Measurement, Control & Components—Vaillaud and most Schlumberger executives expected him to make Vaillaud the head of the electronics division and Roland Génin, who had been an executive vice-president and manager of Drilling and Production Services, the head of the oil-field division. These appointments would have had a certain logic to them, for Vaillaud had mastered electronics and Génin had spent his career in the oil-field division, beginning in 1950, when he joined Schlumberger as a field engineer. Riboud did just the opposite: Vaillaud became the head of the oil-field division, Génin the head of the electronics division. Riboud picked the less experienced man for each job, because, he says, each would bring a “totally different view,” a “fresh imagination” to his new task. Riboud had taken a similar unexpected step a year earlier, when he chose Thomas Roberts, a West Point graduate who had become the vice-president of finance, to be the new president of Fairchild. Roberts had asked him why, and Riboud had answered, “I like to shake the tree.”

If an eagerness to shake the tree is one of Riboud’s most prominent management traits, another one—allied to it—is, obviously, his preoccupation with personnel matters. As his meetings in Houston showed, he is familiar with people at many levels of the organization. Instead of closeting himself with a few top executives, he meets with large groups of employees. The vice-president of personnel at Schlumberger—the job is now held by Arthur W. Alexander—reports to the president, not to an executive vice-president, as is often the case at other companies. “Riboud spends more time on people and people problems, in contrast to business and business problems, than any other chief executive I’ve ever seen,” says Benno Schmidt. “I think the thing he’s most concerned with in running this vast business is coming as near as possible to having exactly the right man in the right place all the time. Most people who run a company are much more interested in business, new products, research—all that.”

When it comes to evaluating individuals, Riboud can be quite blunt. Once a year, he meets with each of his top executives to offer an evaluation of their performance. Carl Buchholz re-

members one of his evaluations: “He said, ‘Let’s talk about the Buchholz problem.’ He talked about my relations with other people, and how I ought to improve them. He talked about what he wanted done that wasn’t being done. He was quite specific.”

Riboud’s attention to personnel matters is typified by Schlumberger’s management-potential summary, or SLP-1A form, which every manager in the company completes once or twice annually. The form, which consists of a single page, asks the manager to identify all the people who report to him, and to select two or three who are “ready now” to take over their supervisors’ jobs, and two or three who will be “ready in the future.” The manager must give a grade—A, B, C, D, E—on employees’ performance, and the form provides spaces for their age, potential, years with the company, months or years in their present job, and the date when they will be ready for promotion. The form must also be completed by the executive to whom the manager reports, so that there can be double evaluations of people before promotions are made.

The SLP-1A form springs from a central management principle at Schlumberger: decentralization. This principle accounts for the small number of people at Schlumberger headquarters and for Riboud’s clean desk and quiet phone, and his unwillingness to issue orders to Strecker, or to his manufacturing division, or to other executives. Decentralization is not, of course, solely a matter of choice. An oil-field-service business operating in ninety-two countries on five continents must decentralize. An official working out of Schlumberger offices in Paris, New York, Houston, or Tokyo cannot cope with all the clients and questions. “You deal with the client,” says John



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Kurzeja, a twenty-eight-year-old former engineer, who was the manager of a Schlumberger training center for engineers in Belle Chasse, Louisiana. "You fill out the invoices for our services. You're given millions of dollars' worth of technical equipment to operate. You're operating the client's million-dollar oil well. You're your own company. You're it! When you walk out on that rig, you're Schlumberger!"

Schlumberger services some eighty-five per cent of all the oil rigs operating in the Gulf of Mexico from its Belle Chasse center. At another area of Belle Chasse, fifty workers rebuild vehicles called skids; a skid costs five hundred and fifty thousand dollars and relies on powerful computers to process well-log data in the field or transmit it to data centers. These skids are used on oil rigs in the Gulf, and, like the Schlumberger trucks on land, carry five-ton winch drums with eighteen thousand to twenty-three thousand feet of wireline cable on them, and backup electrical generators.

The training center at Belle Chasse recruited a hundred and thirty-seven electrical-engineering graduates in 1981. For all recruits, the routine was the same: up to three weeks of orientation on an oil rig, followed by three months at the training center. Here they were given on-the-job training, using their own well and rig and several units to generate their own logs. If they succeeded, graduates became junior engineers and were sent into the field for six months of intensive on-the-job training, under the supervision of an experienced engineer. Over thirty months, they had to return to a training center for five weeks of advanced instruction and once a year, before receiving a promotion, they had to take an oral examination, standing before a group of evaluators and giving a formal talk on log interpretation and the use of tools. Then they were subjected to hours of questioning.

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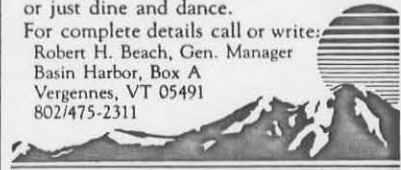
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In early 1982, before drilling activity slackened in North America, the typical first-year American engineer earned thirty-two thousand dollars in salary and bonuses; in the second year, the engineer averaged fifty thousand dollars. Money is not the engineer's only reward. "You have to decide if your log is good enough. That's an expensive decision," says Alex Knaster, a senior field engineer who emigrated from the Soviet Union seven years ago. The oil company needs quick but sure decisions. The Schlumberger engineer must decide whether to recommend another measurement log, whether he has interpreted previous logs correctly, whether the hole should be cleaned and the measurement repeated. "Once you're out there, you have no one to fall back on," says Nancy Ern, a senior engineer from Virginia, who is one of about thirty female Schlumberger field engineers. "It's given me a lot of confidence."

One better appreciates the need for decentralization, and the independent spirit it fosters, at places like Ras Gharib and Ras Shukhier—remote camps in the Egyptian desert. The engineers there are on their own. They have no telephones or daily newspapers at either camp, and no bars and no movie theatres. The only way Schlumberger's Cairo headquarters can reach the camps is by two-way radio. In recent years, Egypt has attained oil self-sufficiency—a fact that has gone largely unnoticed. Indeed, in 1982 it produced six hundred and fifty thousand barrels daily, or twice the country's needs. Most of its oil is in the

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Gulf of Suez, across from the Sinai. In the spring of 1982, Schlumberger was performing services on forty-two rigs in Egypt. In all, according to William Bufton, then the company's division manager in Egypt and the Sudan, Schlumberger claimed ninety-seven per cent of all oil-field-service work in Egypt. This work is lucrative for everyone. Bufton says that each offshore rig in the Egyptian fields costs an oil company about a hundred thousand dollars a day to operate; each rig produces an average of fifty thousand dollars a month in field profits to Schlumberger—on sales of a hundred thousand dollars.

"This is what is called a bachelors' location," says Étienne Danois-Maricq, a twenty-seven-year-old Belgian, who supervises twelve engineers and forty-six other employees at the Ras Gharib camp, a five-and-a-half-hour drive from Cairo across a pebbly desert. Engineers work seven days a week for two months, and are on call twenty-four hours a day. Although they are on the Gulf of Suez, swimming is forbidden, both because the beaches contain Egyptian mines left from the 1973 war with Israel and because heavy crude oil from the offshore rigs has spilled a half-inch film stretching along the beach as far as the eye can see. Like firemen, the engineers wait for the alarm to ring, summoning them to a job. Over the two months, an engineer will make, on average, six trips to a well, each trip lasting two to three days. When the engineers are not out on a job, they hang around the office, check their tools, and fill out invoices. Recreation usually consists of going to the living room of one or another of a row of dormitorylike clay-brick villas they share, at Ras Gharib, or to a trailer remodelled into a recreation room, at Ras Shukhier, and playing Ping-Pong or cards, planning vacations, or watching videotape cassettes of movies.

The engineers at Ras Shukhier compare their life to military service—isolated, rigorous, disciplined, intense, boring. Yet they also speak of the rewards. A second-year engineer here, according to Schlumberger officials, receives a base salary of fifty-five thousand dollars, not including an annual bonus that averages fifteen to twenty-five thousand dollars. Engineers in remote locations like this receive free room and board and an automobile, and after each two-month stint the company pays the equivalent cost of a round-trip ticket to Rome for a two-

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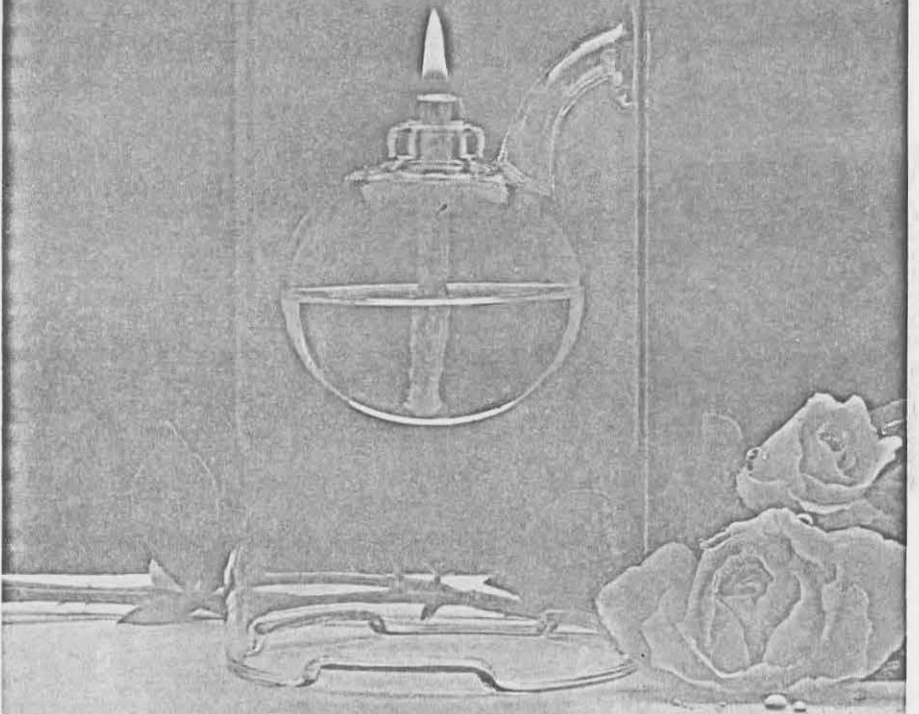
week respite. In addition, they have two months' paid vacation annually, with Schlumberger subsidizing the equivalent cost of a round-trip ticket home. But the financial rewards pale, the engineers say, in comparison to the psychic reward of being "your own boss." David Johnson, a twenty-seven-year-old English engineer, says, "You get lots of responsibility at an early age. It's not like a company in Britain, where you're just waiting for someone at the top to pop off. If you are competent and energetic, you'll do well. It's a good feeling to do a job you really feel is important. It can be hard work, but it's really fun."

"It's not a routine job," says an Iraqi engineer named Alaa Mahdi, who is thirty-one years old. "I don't spend the whole day in the office. I don't have two days that are the same. I have much more responsibility than I would in other jobs. The technical side is quite interesting. The engineer has his own unit, his own tools, his own team."

This sort of work attracts and shapes self-sufficient people. Claus Kampmann, a thirty-two-year-old Dane, whose favorite engineering job for Schlumberger was running a one-man operation in Kurdistan, in northern Iran, says of that job, "It was an ideal setup. I was all by myself. I didn't see anyone from Schlumberger for five and a half months. Only one of my operators spoke English. I joined because I wanted to go overseas and have my own show." Today, Kampmann is one of eleven worldwide unit managers, overseeing all Schlumberger wireline activities in the Middle East. His job pays a hundred and ten thousand dollars a year and comes with a rent-free house, a car, paid vacations, including round-trip fares, and stock options. The company also puts fifteen per cent of Kampmann's gross salary into a profit-sharing plan. Kampmann does not feel that he works for an impersonal giant company. "Originally, I wanted to travel overseas and get experience and then start something on my own," he says. "But now I think my job is more interesting than if I were on my own and in sales. I have a much broader spectrum, and I have the impression that I'm running my own company."

LIKE his predecessors, Riboud wants people at Schlumberger to have a feeling of independence. Day-to-day decisions are left to those in the field. Riboud's job, as he sees it, is

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primarily to think five, ten, twenty years ahead, and to set the basic direction of the company. On September 30, 1977, at a celebration of the fiftieth anniversary of the Schlumbergers' first log, he remarked, "I should say that the most important thing I learned from Marcel Schlumberger was to have an independent mind—to think for oneself, to analyze by oneself, not to follow fashions, not to think like everyone else, not to seek honor or decorations, not to become part of the establishment." On another occasion, he said, "When you fly through turbulence, you fasten your seat belt. The only seat belt I know in business turbulence is to determine for oneself a few convictions, a few guidelines, and stick by them."

Riboud the businessman puzzles many of his nonbusiness friends. For years, Henri Cartier-Bresson has wondered why Riboud worked in a corporation instead of plunging full time into art or politics. Cartier-Bresson—a shy man with pale-blue eyes, gold-framed eyeglasses, and close-cropped white hair—recalls asking Riboud, "What are you doing there? You're not a scientist. You have no passion for making money," and that he replied, "I'm a corkscrew."

"It means he knows how a bottle must be opened—delicately and firmly," Cartier-Bresson says.

When Riboud offers advice, he usually does it quickly and without fuss—delicately and firmly. In Paris recently, Cartier-Bresson talked of Riboud's role in the formation of Magnum Photos. After the Second World War, Cartier-Bresson, Robert Capa, George Rodger, and David (Chim) Seymour decided to form Magnum. Cartier-Bresson was high-strung and brittle; Capa was an impulsive adventurer who would take off on a moment's notice to cover a war on some distant continent; Chim was suspicious and private. Assignments often kept them apart, and there were separate offices in Paris and New York. Inevitably, tempers flared. "We always went to Jean for advice," Cartier-Bresson said. "He's a businessman. I remember we went to him once and told him of difficulties between the New York office and the Paris office." Riboud listened without uttering a word while the three photographers poured out their confusion, their frustrations, their bafflement at starting a business. When they had finished, Cartier-Bresson recalls, Riboud said simply, "Nature has not much imagi-



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THE NEW YORKER

nation. Your little problem is the same as Schlumberger's. If you three stick together, it will be all right." His advice turned out to be prescient.

In sum, Riboud remains a mystery even to his friends. "He is a man who cannot be classified in any way," says Charles Gombault, the former editor of *France-Soir*, who came to know Riboud through Pierre Mendès-France. "Is he an intellectual? I don't think so. Is he a merchant? I don't think so. Is he an industrialist? It doesn't show. He is one of the few men with a strong influence over the President of France, but he will never talk about it. He never shows off. If you see La Carelle, you will understand. It's a beautiful old house with lots of antiques everywhere, extremely comfortable. But if you want to have the feeling of fortune, you do not have it looking at the house. You have it looking at the ground as far as you can see. He is a man of the earth." —KEN AULETTA

(This is the first part of a two-part article.)

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[Adv. in the *Lawrence (Kans.) Journal-World*]

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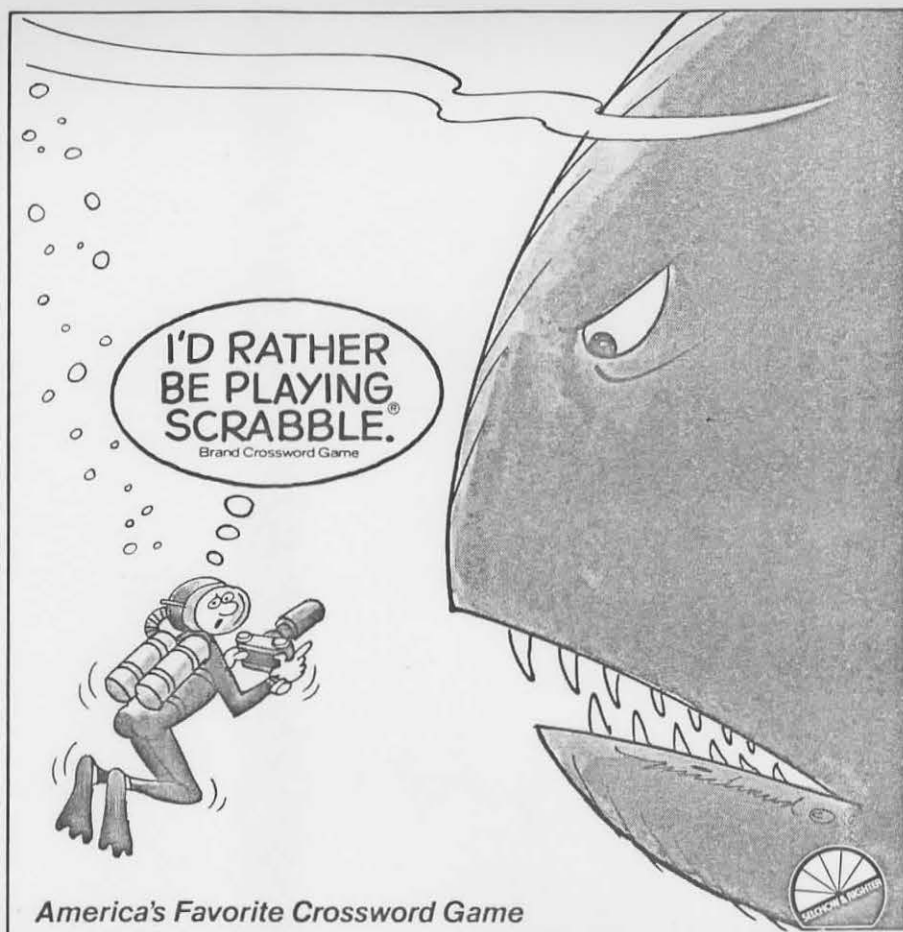
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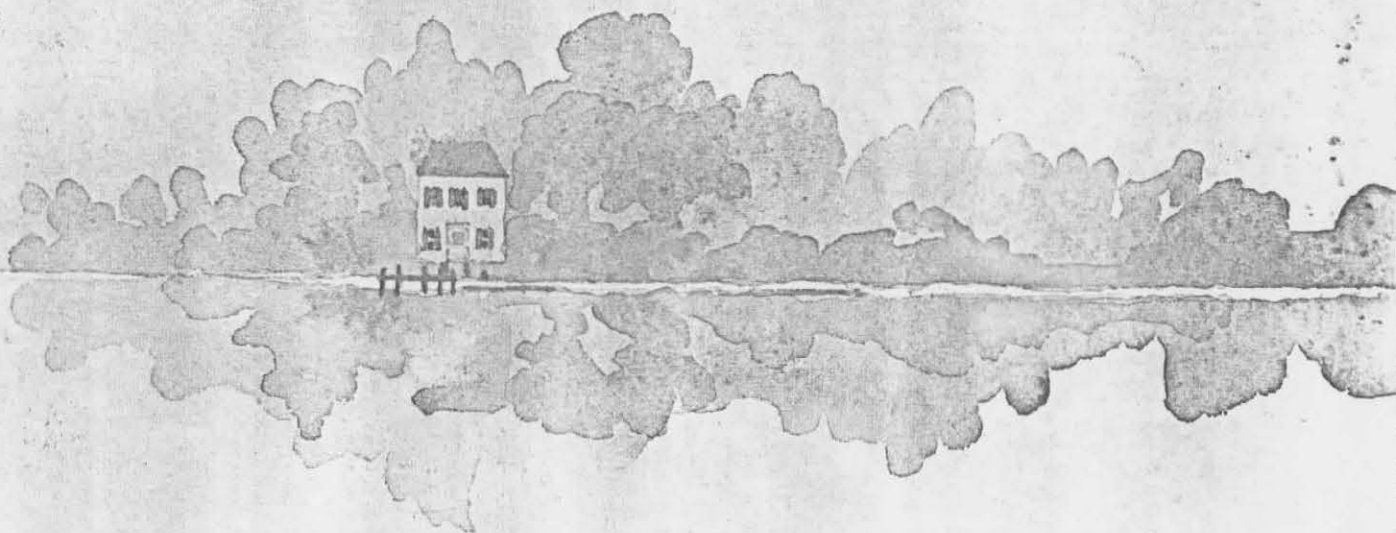
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PROFILES

A CERTAIN POETRY—II

FOR a hundred and thirty years, the Riboud family has owned a thirteen-hundred-acre estate, La Carelle, which is fifty-five miles north of Lyons, in the Beaujolais region of France. The fields and woodlands and rolling hills of this estate form a checkerboard of orange and yellow leaves, green pastures, and brown earth. The farmland is rimmed by dirt paths that meander into groves of linden, birch, fir, pine, American red oak, wild cherry, and mountain ash. The estate includes eight farms, each with a simple farmhouse of earth-colored brick, built in the Romanesque style that was popular six centuries ago. La Carelle is the country home of Jean Riboud, who for the past eighteen years has been the chief executive of Schlumberger, one of the world's most successful multinational corporations.

The main house is a twenty-six-room stone structure, also Romanesque in style, shaded by giant redwood trees. In the center of the house is an atrium with a green-blue-and-black mosaic floor, from which six white marble columns rise, supporting a balcony. A tinted-glass skylight serves as a canopy for this imposing space. The furniture is all of the period of Louis XIV; on the walls are eighteenth-century French paintings by Vernet and Rigaud. On the main floor are eight wood-panelled rooms, including a billiard room; a dining room with an immense hand-carved table and nineteenth-century French paintings; and three libraries containing leather-bound books, a number of sculptures and oil paintings, and five generations of family photographs. In a stone cellar below are a medieval spit and a baking oven; a space where laundry used to be boiled; a small chapel, where Hélène Riboud, Jean's mother, had a Mass said for Jean and his bride, Krishna, when they got married, in 1949; and a wine cellar with perhaps a thousand bottles of Chiroubles Beaujolais—the local wine



Jean Riboud

—and rows of Bordeaux and champagnes acquired by Riboud's grandparents. There is also a modern touch: a screening room, with portable canvas chairs and a felt blanket covering the stone floor.

At the top of a stone staircase that leads from the main floor to the balcony and the bedrooms are several pieces of contemporary African sculpture. The master bedroom is more modern in style than the downstairs rooms, with brilliant-orange draperies and a bright-green bedspread. Krishna Riboud, who was born in India, has redecorated this room, and is redecorating the guest rooms on the second floor and her workrooms in the attic. On the door of one workroom is a plaque that reads "Inner Sanctum." A door leading to the smaller workroom bears a sign reading, "Enter with Awe." These two rooms contain Indian, African, and Japanese artifacts and rugs, and file cabinets filled with photographs and textile samples that Krishna, who is an expert in ancient Chinese silks, uses in her work.

Although La Carelle is not home to Krishna Riboud the way the Ribouds' six-room garden apartment, on the Avenue de Breteuil, in Paris, is, she has put her personal stamp on it. "I

have never met a woman like her—she could be living in a dreary hotel room and after two days she would bring it to life," Riboud says of her. Krishna Riboud has made a five-acre meadow beside the main house into a sanctuary for a variety of animals, among them fifteen antelopes; four gray sarus cranes, from India, with brilliant red heads; two small gray-and-black Paradise cranes, with plumes that brush the earth; six smaller demoiselle cranes, from the Sudan, their heads tufted with white; four crowned cranes, from Africa; bar-headed geese, from India; twenty species of ducks from different parts of the world; six magnificent white peacocks, from Asia, which stroll in spacious cages; and fourteen blue peacocks,

which glide about at will and are often joined by local gray herons.

Krishna Riboud has also helped transform a farmhouse just a few feet from the main house into a home for the Ribouds' son, Christophe, an economist, who runs a successful French market-research firm, his wife, Sophie, and their three children. In the colder months, Riboud closes the main house, and when he can get away from Paris for a weekend he stays with Christophe's family. Krishna usually remains in Paris to work on these weekends.

Although Riboud considers himself a citizen of the world—equally at ease in his native France, in the United States, and in India, which he visits annually—La Carelle is the place he calls home. He has two brothers and three sisters, and when their father, Camille, died—in 1939, at the age of fifty-three—each of the children inherited a sixth of the estate. After their mother died, in 1957, Riboud bought his brothers' and sisters' land. Of the six children, only Jean and his sister Françoise, who is now sixty-one and lives in a farmhouse a few hundred yards from the main house, enjoyed the solitude of La Carelle. When Riboud bought the property, an arrange-

ment was made whereby the brothers and sisters deeded this farmhouse to Françoise, and there she runs a school and home for disturbed children.

At La Carelle, Riboud supervises a staff of ten, including a gardener whose family has lived in a nearby stone carriage house for a hundred years. Père Jean-Marie Ruet, as the Ribouds called the original gardener, lived on the property for eighty-two years, until he died, in 1978, at the age of ninety-two. Ruet's son, Jean, who is now sixty-two, has known only one job: looking after the grounds and the elaborate orchard and garden, with plum, pear, peach, and apple trees, raspberry bushes, and vegetables and herbs. Jean Ruet's son Bernard is being trained to replace his father, and Jean Ruet's wife, Jeannette, cooks for the Ribouds and takes care of the house. The Ruets have an easy, informal relationship with the Ribouds. When Riboud is at La Carelle, the Ruets invite him over for a glass of Beaujolais, *biscuits*, and goat cheese made by a neighbor; they chat about the village and the property.

La Carelle is where Riboud relaxes. He went there in the summer of 1981 to recuperate from a collapsed lung and to think about reshaping Schlumberger's board of directors, and he has many times been host there to his close friend President François Mitterrand. Often, he will put on a tan parka, tuck his pants into tall rubber boots, and set out, with his brown collie, for the woods, pausing on the way to inspect dams and ponds and freshly planted trees.

One day recently, a visitor accompanying Riboud on such a walk asked him, "What does La Carelle mean to you?"

"To ask that is like asking somebody what it means to be in love," he replied. "If you've never experienced it yourself, an explanation can never make it clear to you."

A short time later, Riboud drove with his visitor into the nearby village of Ouroux, whose population is about four hundred. One of Riboud's good friends in the village is Jean-Marie Berthet, who was the mayor when Riboud returned from the war, and who was known to the conservative opposition as "the Communist." In the postwar years, Berthet and Riboud became allies when they served together on the village council, and Riboud still feels a special kinship with Berthet. He now decided to pay him a visit.

Berthet, a burly, red-cheeked man, opened his door onto a narrow, cobblestoned village street, and greeted Riboud with an enormous hug. Then, taking Riboud by the arm, he led him inside to say hello to his family, who were sitting around a table in the kitchen, finishing their Sunday dinner. In the dining room, Berthet uncorked a bottle of wine, and the two men seated themselves at the table. In no time, they were deep in a discussion of politics—specifically, the politics of the village council. Riboud said that he was upset about the recent local elections, in which conservative candidates won a majority of the eleven seats on the council. That election may have brought to mind the election of 1977, when Riboud's sister Françoise, who had always sided with him and the political left, and who had been closer to him than any of the other Riboud children, joined with Church leaders and other conservative forces in an attempt to oust the incumbent mayor, because of what they saw as his insufficient devotion to Catholic schools. Antoine Riboud, Jean's older brother, has a different recollection: "My sister was more left than my brother." Françoise won a seat on the village council, with a hundred and eighteen votes, and Jean, who had been on the council

since 1945, lost his, with a hundred and seventeen. They have spoken little since. Jean remains angry with his sister; Krishna Riboud, who had felt particularly close to Françoise (Françoise had been matron of honor at her wedding), is saddened by the episode.

Riboud pressed Berthet to explain how a conservative candidate had won the recent mayoral contest. Berthet said that he himself had favored a schoolteacher who was by village standards a liberal, but that the villagers had apparently been "scared" of this candidate. In some rural French villages, candidates divide along religious lines: those who are "good Catholics" and obey the wishes of the clergy are deemed "conservatives," and those who are more independent of the Church and of local custom are deemed "liberals." Issues of moment in the outside world, both national and international, tend to be eclipsed by local concerns, but during his seven years as mayor of Ouroux, Berthet had consistently raised world issues, and he openly identified himself as "a man of the left"—as a Communist.

Why had the villagers not been afraid to elect him?

"I labelled myself a Communist because I thought the Communist Party was the only leftist party," he



Treed

said, and he went on to explain that during the nineteen-forties many idealists had not identified with the Socialist Party in France, because it had not been as vigorous as it could have been in opposing Vichy and postwar colonialism. Berthet had thought that the Socialists, like the conservatives, were opposed to any fundamental changes, so he saw no outlet for his political beliefs except Communism.

The young Riboud felt that his political choices were similarly restricted. He emerged from the war with fervent convictions about the dangers of nationalism, about the importance of a united Europe and a world government, and about one's obligation to oppose privilege—whether of a so-called master race or of the French ruling class. He was a prisoner at Buchenwald for twenty months during the war, and he had seen his Nazi guards as products of a contagious xenophobia and racism, while from both the Communists and the Christians in the camp he had learned the value of faith in something beyond oneself or one's country. For Riboud, the Communists he met at Buchenwald had been "like a fountain of hope."

However one might define Riboud's politics, he has always thought of himself as "a man of the left," although not necessarily as a Marxist. He has long nourished a dislike for what he thinks of as the French establishment. Not surprisingly, in 1968, when student protests against the conservatism of French society and the government of President Charles de Gaulle spilled onto the streets of several cities, Riboud sided with the students. He was in New York and Krishna Riboud was visiting India when Claude Baks, a family friend, who was then a close aide at Schlumberger, phoned him to report that Christophe, who was eighteen, had joined the Paris demonstrations. "People said it was a revolution," Riboud recalled not long ago. "My feeling about French society was that it was so set that you had to push hard just to move a few inches." Son and father both pushed. Jean Riboud's protest involved his friend Henri Langlois, the founder of the Cinémathèque Française—an international film library that by 1968 contained some fifty thousand films. Riboud had known Langlois since the summer of 1958, when Krishna, who had met Langlois at Cannes, introduced them. That summer, Langlois was editing a film

DEAD NECK, EASTERN POINT, BASS ROCKS

I

At Dead Neck, the empty real, gull- and sun-inhabited,
scrubs the salt-whitened swimmer's century and nation
from him—a gull-winged flare of magnesium caws
whitely. As soon as I was bearded, above, below,
baroque with hair, I drenched myself in emptiness,
vacancy, as joy. Here, and at the stone arcade
of that rich man's house, I emptily watch
antics of white pediments, foam-footed, as they heel,
difficult toys, in silvered fleets, between shoal and shore—
models of my advice:
come pour your smallness in this space.

This immense sand box of the inutile,
wan landscape, scoured, spindling in a various multitude
of views—behind me, a modest tumble of rock-
scumble palely meanders north; beige petit-point
points spittily toward the capstoned folds
of seaside Gloucester, hilled and steepled:
at the sea, God is a point of wintery
exclamation, a sharp surprise.
I cannot think; I breathe too much.
This difficult air splashes woodenly
at my lips.

II

The gold air rings with clamor.
A block of roofs at one corner
of the gold air stonily stands. Wind moves
on green baize, transparent croupier.
The light boats sail wind-stiffened,
white sculptures by the water-enchanted race.

III

I sheathe my chest in Boyar outfits, in a savage's
view of love across Cape Ann. I speak as if I were not here
where the widowed rocks
bear white flounces of storming apple branches
bursting at them, ornamenting their black dresses.
The wet booms which are lament and requiem, the white
masts which are a lover's sperm of Egyptian obelisks,
combed and splintering, lotus columns forked and shattered
in floods: I believe the spray is winnowed
of its salt by the flailing air shrieking with gulls,
in the labor of the fellahin. The air takes on the weight
of rock from the ocean's unvolcanic
chill; lumped wind tumbles on you—these brute winds
breed no farmland, only emptiness,
a public joy, an anarchy of motions.

—HAROLD BRODKEY

on the life of Chagall, and a friend brought him and his longtime companion, Mary Meerson, to lunch at La Carelle. The couple stayed on for a month. Riboud was fascinated by Langlois, a corpulent man who devoured great quantities of food and wine and had a huge enthusiasm for movies, and he became an ardent backer of Langlois's library.

Unlike Riboud, Langlois was somewhat disorganized. Riboud tried to

help him devise systems for cataloguing films and for establishing financial records and a salary schedule for employees, but these efforts were less than successful. Films were lost; the book-keeping procedures became a tangled mess. André Malraux, President de Gaulle's Minister of Culture, became so alarmed by Langlois's slovenly habits that in February of 1968 he dismissed him as director. Langlois had mismanaged the film library and



its finances, Malraux claimed, and he observed that, whatever Langlois's skills, basic arithmetic was not among them. Riboud and others saw the dismissal as an attempt by the conservative government to rule the cultural life of France. The directors Jean-Luc Godard, François Truffaut, and Alain Resnais defended Langlois, whom they greatly admired. Thousands of actors, directors, producers, and other sympathizers took to the streets of Paris to protest the dismissal of Langlois. On February 14th, a thousand riot policemen were mobilized to contain a mass protest on the Boulevard Haussmann. Riboud began quietly negotiating with the French government as Langlois's representative, even cancelling business trips and staying away from his office, sometimes for days. Riboud was obsessed by the battle. Strategy sessions were held at the Ribouds' apartment. Riboud was the low-key general of Langlois's army of supporters, encouraging the troops to "push and push" while, in his words, "at the same time I was saying to Malraux, 'Well, we're perfectly willing to negotiate.'"

Finally, in April, Malraux agreed to restore Langlois to his former post. Only a small group knew of Riboud's role in this. One who did is Mary Meerson. "Riboud paid for everything," she said not long ago, in an interview in Paris. "He was the private foundation, arranging everything. It is thanks to him that the Cinémathèque

exists. He mobilized all the banks and industries to provide finances. This museum is unique in the world. Riboud is a great man, and he never sought any publicity for himself. When Langlois died, it was Jean Riboud who paid off his debts."

RIBOUD first met François Mitterrand in the mid-fifties. In those days, leading figures on the left—Albert Camus, Jean-Paul Sartre, Pierre Mendès-France, Mitterrand, Gaston Defferre—gathered now and then to discuss their opposition to French colonialism in Algeria, to de Gaulle, to the French Communist Party, and to privilege and the French establishment. They got together at the Paris office of the magazine *L'Express*, whose editors were Jean-Jacques Servan-Schreiber and Françoise Giroud. Riboud admired Servan-Schreiber and invested in *L'Express*. Although in 1954 and 1955 Mitterrand had served as Interior Minister in the government of Pierre Mendès-France, whom Riboud revered, he and Riboud knew each other only casually. The man who eventually brought them together as friends and political allies was Georges Dayan, a French Jew who had befriended Mitterrand in college and had served with him in the Resistance, and who until his death, in May of 1980, was Mitterrand's campaign manager and closest friend. In 1971, when the Nixon Administration, un-

der pressure at home and from abroad, decided to abandon the gold standard and float the dollar by linking its value to the value of other currencies, Mitterrand, who was then first secretary of the Socialist Party and was planning the second of three attempts to become President of France, knew that he had to take a position on the issue. However, he was not sure of its implications, and Dayan suggested that Riboud might offer solid advice.

In August of that year, Mitterrand went to La Carelle and met with Riboud. At lunch, they discussed the currency issue, and then they took a walk in the woods and discovered that they shared a number of interests. Both loved to walk, to watch birds, to talk about art and history. Both were fond of nature and prized simplicity. Both had served in the Resistance and had been captured by the Germans. Both believed that technology could bring a brighter future. Both called themselves socialists. A lasting bond was created. "From then on," Irène Dayan, the widow of Georges Dayan, recalled, "Mitterrand would always ask Georges, 'What does Riboud think?' Since my husband died, Mitterrand has needed Riboud's friendship, Riboud's intelligence, Riboud's impartiality more than ever. Riboud is not part of the government, so he can talk freely. Mitterrand trusts his judgment. Wherever they meet, they walk together. If Riboud goes to Mitter-



"I'm glad you asked me that question."

rand's house, in the southwest of France, they walk for hours in the woods. The Mitterrands often have a private dinner that includes the family, the Ribouds, and me."

Until recently, Riboud's intimacy with Mitterrand was not widely known. Riboud will speak off the record to a handful of French journalists whom he knows, but he says that he has never returned a telephone call from any French reporter to discuss politics. He attends meetings with government ministers at Mitterrand's request, and he regularly writes memos to the President outlining proposals related to the French or the international economy, but he does not advertise either of these activities. "I believe that since my husband died Riboud has probably replaced him, more or less," Mme. Dayan says. There are those in the government and those at Schlumberger who believe that Riboud will one day join Mitterrand's government, perhaps as Prime Minister—especially if Mitterrand's new austerity program, which Riboud has grave reservations about, fails to bolster the franc.

Riboud's activities on behalf of Mitterrand—or, for that matter, those on behalf of Henri Langlois—help illuminate the mixture of principle, practicality, and sentiment which makes up his political philosophy. One principle behind Riboud's socialism is a desire to remake French society so that people who are born to wealth

will not have lives of unearned ease. "Profit should not be the only element in judging human life," Riboud says. "It should be one element, but not the only element." Riboud says that he wants to democratize French culture—one reason that he supported Langlois and is devoted to modern art's crusade to redefine the way people see the world. He also wants to spread democracy in the world, and to that end he advocates a united Europe, decries the domination of the two superpowers, and champions the Third World.

Another aspect of Riboud's socialism is practical. In February of 1982, the Mitterrand government began to nationalize companies in five basic industries, including two leading investment banks, eighteen commercial banks, and two major electrical manufacturers—an action that would put the central government in control of twenty-nine per cent of French industrial production and twenty-three per cent of the French industrial work force. Nationalization, Mitterrand said, would liberate France from the world recession. Although Riboud was uncomfortable with the nationalization, he did not protest it. "I'm willing to pay even the price of nationalization to achieve what Mitterrand wants to do," he said recently. "And that is to establish an alternative to French society—to modify French society and advance a few of the things I really believe in." Nationalization, he be-

lieves, is the practical political price that must be paid to appease the left wing of Mitterrand's party, to keep the Communists weak and without ammunition, and to maintain what he calls "the political mythology."

Riboud once said that "as long as the French Communist Party was strong, conservative forces would be in power for over a hundred years." His enthusiasm for Mitterrand stems partly from his conviction that Mitterrand has humbled the French Communist Party, and that his anti-Soviet views have persuaded French voters that the Socialists are not agents of Moscow. Riboud says that Mitterrand has set adrift the "iceberg" of the French Communist Party, which once prevented electoral success for the Socialists. The Communists' total vote fell from twenty-one per cent in 1969 to just fifteen and four-tenths per cent in the last Presidential election, and they were given only four of forty-four Cabinet posts in Mitterrand's government. (They now hold just two Cabinet posts.) "It's becoming absurd to be a Communist in the French society of the eighties," Riboud said recently. "So at one point the break will occur—the whole thing will go out to sea. In fact, it's going out to sea now."

Some of Riboud's detractors claim that his support for nationalization is a luxury denied to many businessmen in France. Some French businessmen, says his close associate Jacques de Fouchier, who is the former chairman of the Compagnie Financière de Paris et des Pays-Bas (Paribas) and is a supporter of the conservatives, "maintain that it's very easy for him to be friends of the Socialists, because *his* company is not threatened by nationalization and he has made a lot of money from a multinational corporation." It is true that nationalization poses little threat to Schlumberger, for only about six per cent of the company's operating income and seventeen per cent of its assets are tied up in France.

As for the sentimental side to Riboud's socialism, it springs from boyhood yearnings for solidarity, for reducing issues to choices between the forces of change and the forces of reaction, between good and evil. Like many people on the French left, Riboud sees himself as having a kind of moral mission, and thus has a propensity for symbolic battles. While conservatives tend to side with mili-

SUMMER REPLACEMENTS



tary regimes, Mitterrand and Riboud side with governments that proclaim their devotion to "the masses." In his memoir, "The Wheat and the Chaff," Mitterrand extols Salvador Allende Gossens, the late Socialist President of Chile, as "the first person to join Fidel Castro and Che Guevara in the great struggle that . . . foreshadows a new day in Latin America." Allende, who believed in democracy, is paired with Castro, who does not.

Riboud's associates have commented on this sentimental trait. "It's a dream of any schoolboy to be a rich capitalist and also to be accepted by socialism," says D. Euan Baird, a Schlumberger executive vice-president in New York. "I frankly think it's a little naïve." And Jacques de Fouchier says of Riboud's politics, "It's important in his life, because it's a mood. You know, sometimes you say such-and-such a thing just when you're in a certain mood. When you have said it enough, you begin to believe it." The writer Françoise Giroud, a friend of Riboud's, believes that he chooses to overlook the fact that he is a member of the establishment he ostensibly opposes. "He is an intelligent man, but I think his political involvement is purely emotional—irrational," she says. Claude Baks, like Euan Baird, thinks that Riboud is politically naïve. "He believes he's a socialist," Baks has said. "He's not. He believes in equality. Let's say he's a left democrat." And Servan-Schreiber speaks of Riboud this way: "He doesn't know what he means. He is a man who is very unhappy with the state of society. He wants to change it, in a vague way. He does not know how, but he calls it socialism. He would have been part of the New Deal. He really is outraged about the poor. He's not profoundly political. It's more a moral attitude."

Riboud himself reluctantly concedes at times that "socialist" is not a word that adequately characterizes his politics. "To be a socialist in France today is fundamentally to be a liberal democrat opposing the conservative forces," he has said. "To be a socialist in France is to try to have some concept of the future." Riboud also concedes

that Mitterrand's domestic policies are "a gamble," in that they expose France to the risk of the kind of stifling bureaucracy and steep taxes that have afflicted Britain's welfare state. But if the gamble pays off, he says, and the Mitterrand government is able to shift funds for long-term research to nationalized industries, it will be able to move France into the forefront of technology. Over the next five years, the government plans to invest twenty billion dollars in research and development in electronics alone. Riboud believes that Franklin D. Roosevelt saved capitalism from itself, and he believes that Mitterrand can do so in France. He embraces Mitterrand's push to make the tax system more equitable. "For the last twenty years, France has been the only industrial nation with negligible capital-gains and estate taxes," Riboud says. "And I don't think you can run any tax system without some meaningful form of either a capital-gains tax or an estate tax." Although he worries that the left will one day take these taxes too far, his greater fear is that nothing will be done about French taxation. "The conservative forces have never even tried to do anything about it," he says.

Riboud's concern is tempered by a sense of history. The French are traditionally more relaxed about big government than Americans are. As an example of the American attitude, Riboud cites Ronald Reagan, who declared in his Inaugural Address that "government is the problem." Riboud says that the American view that all nationalized companies are badly run and all private industries are well run is a great oversimplification. He notes that the Renault automobile company

was nationalized years ago, and it remains one of the better-run companies, and that the same can be said of Air France and Électricité de France, both of which are nationalized. On the other hand, the nationalized British Leyland has been a failure. And nationalizing an innovative company like Hewlett-Packard or I.B.M. "would be a disaster and absurd," Riboud says, adding, "If you were to nationalize a utility like Consolidated Edison, I don't think it would be any better, but I'm not sure it would be any worse." It did not pass unnoticed by Riboud that when the government of Mexico nationalized its banks, in the summer of 1982, American bankers cheered loudest, applauding this action as a commitment by the government to meet its debt obligations to the banks.

To many people, whether in France or in the United States, it seems odd to see a successful capitalist like Riboud espousing socialism. Riboud, however, views himself as a man seeking fresh approaches that blend a conservative's fiscal caution and belief in strong management with a liberal's compassion and commitment to change. In his lengthy memorandums to Mitterrand, Riboud has urged a "third way"—between a completely state-dominated economy and the austerity put forward by such leaders as Ronald Reagan and Margaret Thatcher. In March, when Finance Minister Jacques Delors argued successfully that the Mitterrand government should try to bolster the sagging franc and close the nation's trade deficit through new austerity measures, Riboud was one of those leading the internal opposition. While he supported the program, he did not think it was comprehensive enough,

and he urged the adoption of temporary protectionist policies to keep foreign goods out, and an incomes policy to guarantee employment and government-backed credit to businesses; in exchange, he proposed wage concessions from labor and price ceilings from business. Riboud advocates a government-planned and government-financed industrial policy, in which government would approve plans and provide loans while businesses would commit themselves to moderating prices and to innovation. Such a policy—which parallels, in many ways, his friend Felix Rohatyn's suggestion of a new Reconstruction Finance Corporation to help rebuild American industry—invites questions. Would government decisions about particular industries be made by elected officials or by so-called nonpolitical officials? Why would their decisions necessarily be wiser than those dictated by a free market? Where would the capital come from? If government resources were limited, would subsidized industries receive preferential credit treatment over nonsubsidized industries? If a conflict arose between politics and

profits—over whether to move a plant to a new location to take advantage of lower labor costs, say—would the business executives be free to make the decision? And if they weren't would this arrangement not merely be socialism by another name?

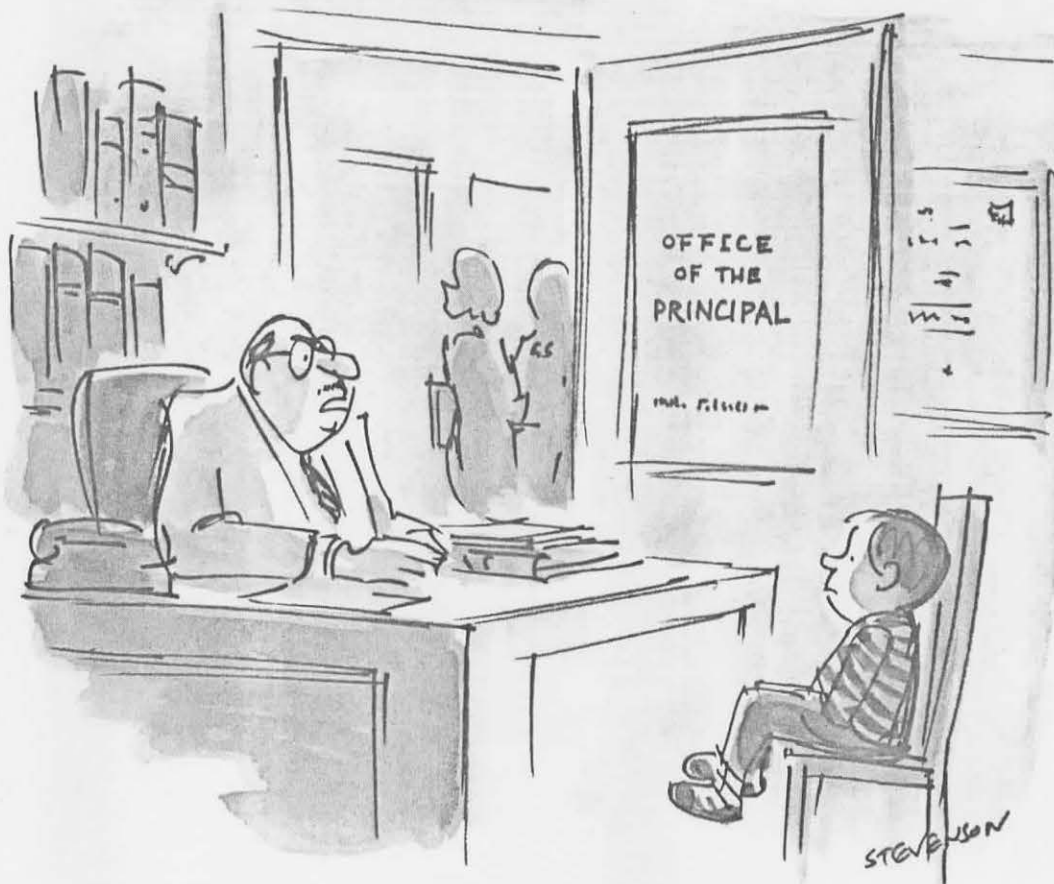
Though Riboud is somewhat vague about how the system he envisions might actually work, he is clear about some of the elements it might contain. He believes, for example, that government must serve as a referee between various interests and the public. He also believes that the waste and bureaucracy of the French welfare state should be reduced. While he favors protectionist measures to safeguard French industries, particularly against Japanese imports, he also favors renewed efforts to create a common European monetary system and to improve international cooperation worldwide. (How to square these seemingly contradictory notions remains a mystery.) Above all, Riboud retains the optimism of his youth, and Schlumberger has strengthened his belief that conviction and vision are rewarded. The underlying theme of his advice to

Mitterrand is that although the problems of France and the world are complex, all that is needed is will and a political constituency. "To succeed, one must be bold yet firm," he concluded one memorandum to Mitterrand.

RIBOUD sees his work at Schlumberger as an extension of his political views. "Running a company is like politics," he says. "You are always balancing interests and personalities and trying to keep people motivated." On being asked how he would like to be characterized as an executive, he replied, "I would like it to be said that I'm bringing about in my professional life what I'm trying to bring about with myself—it's one and the same thing." Like Marcel and Conrad Schlumberger, the two brothers who founded the company in 1926, Riboud thinks of the company as an extension of personal values—humility, loyalty, preserving faith in an idea, serving people, being trusting, being open-minded to different cultures, being ambitious and competitive and yet mindful of tradition. ("Jean Riboud

impersonates a businessman who is trying to hide a certain poetry," the artist Saul Steinberg has said.) The key in a corporation or in government, Riboud says, is "motivating people" and forging a consensus. "We are no longer in a society where the head of a corporation can just give orders," he says. People need to believe in something larger than themselves. To be successful, he thinks, a corporation must learn from the Japanese that "we have the responsibility that religion used to have." A good company must not be just a slave to profits; it must strive to perform a service and to beat its competitors. But more, he feels, it must measure itself against a higher standard, seeking perfection.

There is another way in which Schlumberger is an extension of Riboud's political philosophy—in its international character. Riboud says that with the possible exception of the oil company Royal



"It's one thing for the National Commission to comment on the quality of teaching in our schools. It's another thing entirely for you to stand up and call Mr. Costello a yo-yo."



"It's by a woman who still thinks marriage is possible."

Dutch/Shell, Schlumberger is "the only truly multinational company that I know of." Schlumberger has long since ceased to have a single national identity. "If I have one purpose today," Riboud says, "it is to expand the concept of merging together into one enterprise Europeans, Americans, and citizens of the Third World; to bring in Asians, Africans, and Latin Americans so they feel at home with their own culture, their own religion, and yet feel that Schlumberger is their family."

Like other multinational corporations, Schlumberger sometimes gets embroiled in conflicts with nations when they uphold their own interests against what Schlumberger says are the world's interests. For example, Schlumberger has challenged the right of the Internal Revenue Service to tax revenues from wireline services performed for companies on the outer continental shelf in the Gulf of Mexico. "We don't consider the continental shelf part of the United States," says Allen D. Klein, Schlumberger's vice-president and director of taxes. In 1980, Schlumberger agreed to an out-of-court settlement on tax claims dating to 1967 and 1969, but in that case the company settled the I.R.S. claim for something less than the thirty mil-

lion dollars the government wanted, Klein says. Today, Schlumberger is contesting all United States tax levies for work performed on the continental shelf since 1969.

Although in 1982 Schlumberger paid a total of four hundred and fifty-one million dollars in taxes to the countries in which it operated (an effective rate of twenty-five per cent) Klein concedes that Schlumberger receives tax advantages from its place of incorporation—the Netherlands Antilles. One advantage involves dividend payments. Any company conducting business in the United States pays a corporate tax of up to forty-six per cent on its American earnings, whether it is incorporated abroad or in this country; companies incorporated in the United States are required to pay an additional withholding tax of thirty per cent on dividends paid to foreigners. However, when companies are registered in the Antilles, foreign stockholders—of which Schlumberger has many—are not taxed by the United States on their dividends. Klein also says that many American companies have lower effective tax rates than Schlumberger, because they may take advantage of tax breaks not available to foreign companies. But a staff member of the Congressional

Joint Committee on Taxation asserts that the tax advantages available to companies that are incorporated in the Antilles can be matched or surpassed by only a small fraction of American companies. In fact, the Treasury Department is now threatening to change a tax treaty between the United States and the Antilles, principally for this reason.

Riboud views his preoccupation with personnel matters at Schlumberger as yet another extension of his socialist principles. He thinks of Schlumberger as a happy family sharing the fruits of success, and sees the corporation as an instrument of altruism. This view is quite different from that propounded by George Gilder in his book "Wealth and Poverty," or by Michael Novak in "The Spirit of Democratic Capitalism." Those two writers argue that capitalism is by definition altruistic and moral because it creates wealth and employs people, and because it makes possible the pluralistic values that keep democracy alive. Riboud assumes that a corporation has a social responsibility. His son, Christophe, who has a Ph.D. in economics from the Massachusetts Institute of Technology and is extraordinarily close to Riboud, says a service business like Schlumberger is linked to socialism because "you can't be successful unless you believe in people—that's what socialism is all about." Jean Riboud believes that Schlumberger, by providing services to the oil-rich nations of the Third World, has furthered the development and redistribution of the world's wealth. Riboud says he was shocked by President Reagan's across-the-board tax cuts, even though they reduced Schlumberger's American tax liability by thirty million dollars in 1982. (Klein puts the figure at eleven million dollars.) Since government should not forgo its role as referee, he says, these tax cuts were "crazy;" Schlumberger, he says, should have been compelled to show that what it saved on taxes would be invested in capital improvements or enhanced productivity, which would, in turn, generate new wealth.

Of course, the marriage of Schlumberger and Riboud's brand of socialism is not without its strains. It was not altruism that compelled Schlumberger to incorporate in the Antilles, where it is subject to an income-tax rate of just three per cent. And it was not altruism that got Schlumberger in legal trouble in the early nineteen-sixties—before Riboud became its president—for its

role in what became known as the East Texas slant-hole scandal. The victim of this scandal was the Nortex Oil & Gas Corporation, which bought several pieces of land in Rusk and Gregg Counties on which it had found oil. By drilling deep slant holes, other oil companies were able to secretly siphon oil from Nortex's oil fields. Schlumberger performed logging and perforating services for the companies participating in this scheme. Since Schlumberger does not own oil properties, there was no question about whether the company had a stake in this fraud. It did not. But it was taken to court by Nortex and charged with knowledge of the fraud and "conspiracy to commit certain unlawful acts which made the fraud possible." In a ruling on November 13, 1968, the Texas Supreme Court declared that the evidence did not support Nortex's charge of conspiracy, but implied that Schlumberger had engaged in less than admirable behavior. By "the exercise of the slightest degree of diligence," the court suggested, Schlumberger could have discovered the conspiracy. Moreover, it said, "Schlumberger took steps calculated to protect its customers who might be subjected to investigation or to prosecution" by omitting from invoices the depth of the wells it had logged, by destroying pertinent records, and by advising its employees "to have poor memories" when they were questioned. Still, Schlumberger was legally, if not ethically, exonerated. Although Riboud is quick to denounce right-wing dicta-

torships and militarism, Schlumberger does a brisk business in Argentina and Chile, among other countries, and several of its subsidiaries have contracts with the French and British governments and with other corporations to manufacture equipment for spy satellites, military aircraft, and missiles. Although Riboud supports a strong, independent Israel, and Schlumberger sells that nation some equipment, Riboud admits that because of the company's work in Arab countries he is grateful that Israel is not in the oil business. Schlumberger executives are extremely nervous that publicity about their non-oil commerce with Israel could jeopardize their extensive business in the Arab world.

Moreover, the interests of Schlumberger, whose profits climb as the price of oil climbs, hardly accord with the interests of most consumers, for whom inflation and interest rates may shrink as the price of oil dips. In a talk Riboud gave to Schlumberger executives working for the company's North American Wireline operation in Houston not long ago, he acknowledged the company's stake in higher oil prices. "What is true is that the future of oil exploration and the future of logging are tied in with the price of crude oil," he said. He claims that there is no contradiction between Schlumberger's desire for higher oil prices and his belief in socialism, since new oil exploration is in the consumer's interest, and since the consumer also has an interest in a "reasonably predictable price." One sus-

pects, however, that if the price of crude oil unpredictably jumped from thirty dollars a barrel to fifty—far above the price needed to encourage exploration—Riboud would not protest. And if he did stockholders might protest his continuing tenure. Although Riboud says that for practical reasons he publicly supported the nationalization of French companies by the Mitterrand government, it might be noted that over the years, with a single exception, Schlumberger has rejected all requests by Third World countries for joint ventures (it has established one with the government of Mexico) and that it has consistently refused to sell its oil-field-service equipment to any nation or, for that matter, to any private interest.

"I think politics is a contradiction in Riboud," says Bernard Alpaerts, who began his career with Schlumberger thirty years ago as an engineer and retired this year as executive vice-president of the company's Measurement & Control operations worldwide. "Politics is far removed from the management of this company. Schlumberger is almost a company without a nation. Riboud knows very well that most of his managers don't have the same political opinions he has. And, honestly, he doesn't mind. Sometimes you don't recognize in his business decisions the political opinions he has." The investment banker Felix Rohatyn, a friend of Riboud's and a member of Schlumberger's board of directors, says, "Riboud is complicated. There is this mixture in the man of being the hard-headed manager of a huge company that is as intensely capitalistic as any organization I know, and at the same time being clearly involved with the Socialist government of France."

This is one of several contradictions in Riboud. He is, for example, a loyal family man—devoted to his wife, to his son and daughter-in-law and their three children, yet he has had sometimes stormy relationships with his brothers and sisters. He takes pride in being open-minded and a foe of bigotry, yet Christophe Riboud says that his father is "one of the most determined and prejudiced men I know." He cited his



father's instinctual aversion to members of the establishment—to graduates of the École Polytechnique or of Harvard. Sophie Riboud calls her father-in-law, whom she adores, "a sexist." Riboud guards against Schlumberger's becoming an "establishment," and shifts people regularly to avert complacency; yet for the eighteen years he has been president the same rules have not applied to him.


Schlumberger, too, has its share of contradictions. Despite its rhetoric about opposing discrimination, the company has done little to lower traditional barriers to women in the oil business. Among its twenty-two hundred field engineers at the beginning of 1982, Schlumberger estimates that only thirty-two were women. Few women are found in oil camps. The well-appointed men's room at Schlumberger's Paris headquarters has fine cloth hand towels; the ladies' room has paper towels. Since Schlumberger's Wireline division has a policy of promoting people from within, if there is no change in policy—no fresh determination to hire women—ten or twenty years from today the company will continue to be dominated by men. "Schlumberger is not a company for women," Jeannine Bourhis, who has been Riboud's secretary in Paris for thirteen years, says. "Schlumberger is a company of males. Riboud is making all kinds of efforts to have nationalities represented in the company, and all kinds of skin colors to be promoted. Women are transparent at Schlumberger. They just don't see you."

Although Schlumberger is proud of creating a sense that its employees are all one family, the company nevertheless often disrupts personal family life. Outside North America, the company discourages engineers who are married. The wives of Schlumberger employees, because their husbands are transferred so frequently, find it difficult to pursue their own careers. This difficulty is compounded when families are transferred to poor nations, where jobs are scarce, and to Muslim nations, where tradition holds that women stay home.

"Sometimes you really feel lost," says Kate Yemi, a Nigerian woman whose husband, Esan, runs a Schlumberger computer center in Cairo. "The man has a job to do. You have nothing to do. So you have babies to keep you busy. Or you join a club. If you say, 'I want to have a career of my own,' and say you don't want to go where your husband goes, then you're

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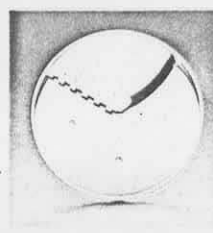
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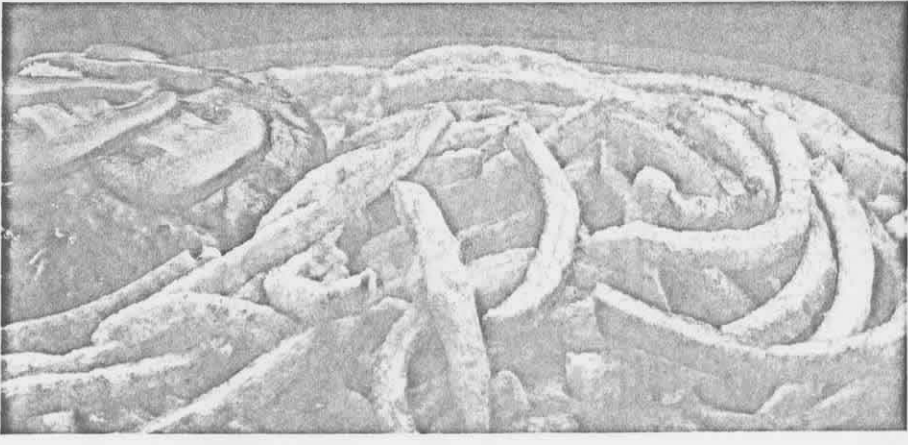
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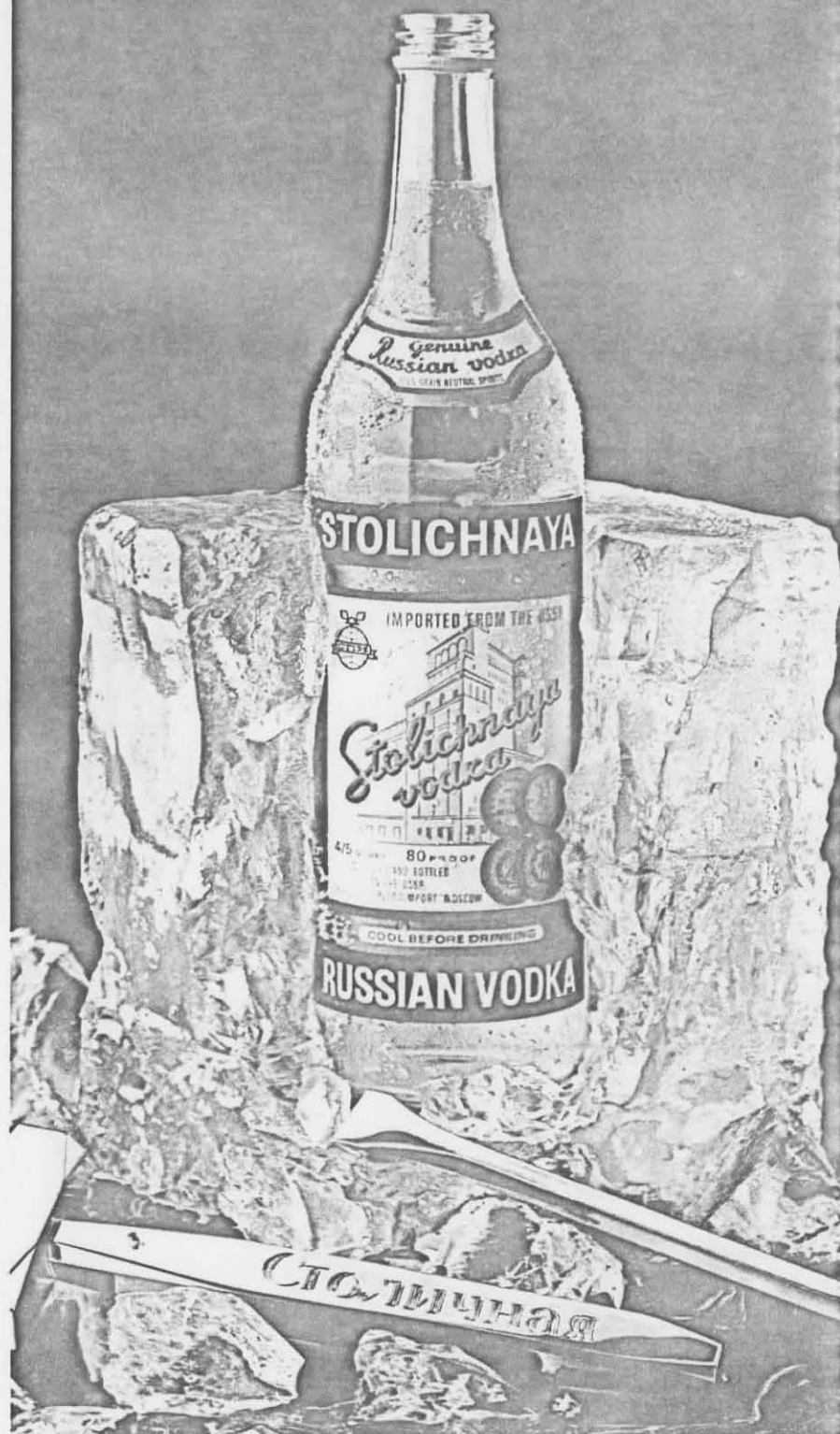
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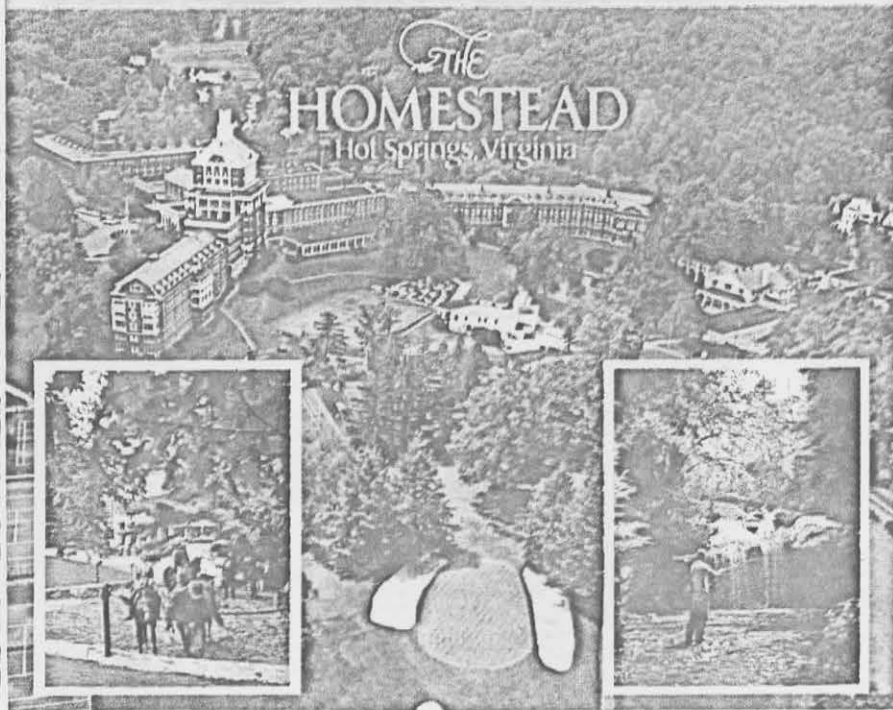
WHY is it that a company like Schlumberger succeeds? In order to answer this, one should probably first inquire into the degree of success of the company's various components. Schlumberger, according to Wall Street analysts, has a near-monopoly on the wireline business—about seventy per cent of the world market. (Its nearest wireline competitor, Dresser Industries' Atlas Oilfield Services Group, has just over ten per cent.) And Schlumberger retains its near-monopoly even though it charges higher prices than its competitors. “We believe we are entitled to a certain return on investment, which we intend to maintain, and we price accordingly,” says D. Euan Baird, who is forty-five, Scottish-born, and, like most of the company's top executives, started as a Schlumberger field engineer. A policy first established by Marcel Schlumberger remains in force today: Schlumberger charges its wireline customers twice the amount of its costs. Because Schlumberger does not sell, or even lease, its equipment, and because its equipment is the most technologically advanced, so that the company provides the best technical service, it remains the most highly regarded company in the oil-field-service industry. Of course, oil companies can afford to pay its prices. Since the cost of logging a well—the wireline process—is only two to five per cent of the oil company's cost, wrote John C. Wellemeyer, managing director of the investment-banking firm of Morgan Stanley, in 1973, “Schlumberger should be able to increase prices as much as required to maintain its margins.” Until the current oil shock, that is what it has done.

“To measure a successful company, you need time—a long span of time,” Riboud says. By that measure, too, Schlumberger is a success. Figures on the company's profits were first made public for a full year in 1958, and in all but two years of the quarter century since, its profits have climbed. (In those two years, 1961 and 1963, they fell only slightly.) Profits climbed from twelve million two hundred thousand dollars in 1958 to one billion three hundred and fifty million dollars in 1982. Profits rose even when the price of oil did not. Between 1956 and

1972, oil drilling in the United States declined ten per cent, but Schlumberger's wireline revenues went up in all but one of those years. Between 1974 and 1978, Schlumberger's earnings per share almost quadrupled. One might attribute this success to the luck of being in the right business, except that this does not explain why Schlumberger's profits swelled in bad years, or why they increased by six and four-tenths per cent in the recession year of 1982 while the profits of oil-field-service competitors and of seven of the eight biggest American oil companies declined. (Schlumberger's earnings per share went from four dollars and thirty-seven cents in 1981 to four dollars and sixty cents in 1982.) Jacques de Fouchier, who calls Schlumberger the single best company in the world, has pointed out, "You must understand that an ordinary shareholder who in 1965 had one share of Schlumberger, valued in the market at thirty-five dollars, has now—without having had to pay anything more in cash—seventy-five."

Although about forty-five per cent of Schlumberger's revenues and an estimated seventy per cent of its profits derive from the Wireline division, the company's success is not attributable to this division alone. Over all, Oilfield Services, of which the Wireline is a part, accounts for two-thirds of Schlumberger's more than six billion dollars in annual revenues, while the other major division, Measurement, Control & Components, accounts for the remaining third. Most of Schlumberger's companies have demonstrated a steady growth pattern, with recessionary 1982 being a notable exception. The company acquired the Compagnie des Compteurs in 1970 and eventually renamed it Measurement & Control—Europe; it is a subsidiary of the over-all Measurement, Control & Components division. At first, its profits rose slowly; then they gained steadily. John H. Hayward, Jr. vice-president of oil services at Merrill Lynch, Pierce, Fenner & Smith, has written, "Operating margins increased from less than two per cent in 1971 to about the eleven-to-twelve per cent area in 1980." Today, Measurement & Control—Europe is the world's No. 1 manufacturer of electric meters and ranks first or second in the production of water and gas meters; its revenues rose eighteen per cent in 1981 and held steady in 1982. Another company, Forex Neptune, is the world's most profitable oil-drilling

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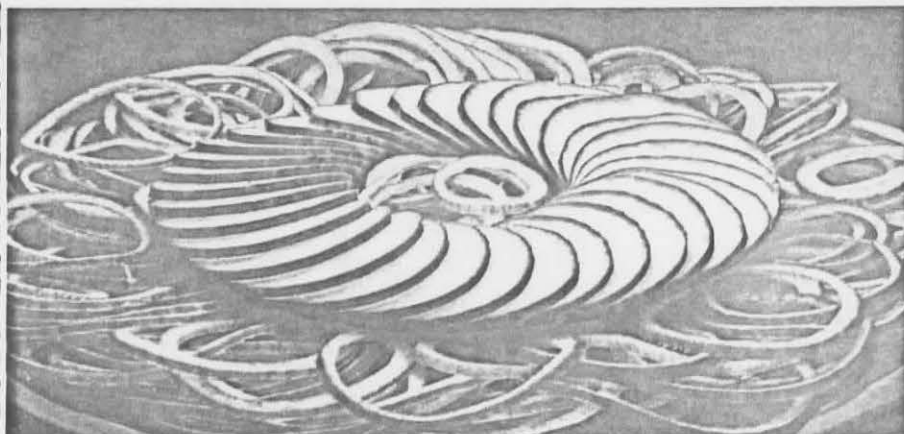
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service; its revenues jumped twenty-eight per cent in 1981.

Gauged by profits alone, Schlumberger ranks among the premier companies in the world. If it had been eligible to be included in the 1982 Fortune 500 listing of the biggest American industrial firms, it would have ranked thirteenth in profits—above Gulf Oil, Procter & Gamble, Eastman Kodak, and Philip Morris, for instance. Among the Fortune Foreign 500, only four companies earned larger profits than Schlumberger in 1981. And none of the world's thousand industrial giants rivalled Schlumberger's 1981 net income as a percentage of revenue of twenty-one per cent of revenues (or sales). In 1981, Exxon, the world's largest industrial corporation, earned profits of less than five per cent on sales of a hundred and eight billion dollars. I.B.M., which ranked second in the United States, earned profits of eleven per cent on sales of twenty-nine billion dollars. The Royal Dutch/Shell Group, the largest overseas conglomerate, earned profits of four per cent on sales of eighty-two billion dollars. The median return on stockholders' equity of the five hundred largest American corporations was thirteen and eight-tenths per cent; Schlumberger's was thirty-four per cent.

To isolate the specific reasons for Schlumberger's success, one needs to start where Conrad and Marcel Schlumberger did—with technology. Competition in the oil-field-service business hinges on technology. Accurate geological measurements are crucial to an oil company that is about to spend millions of dollars drilling a well. A man who is a partner in an oil wildcatting operation in Louisiana was asked not long ago why his group had hired Schlumberger—the most expensive well-logging company in the world—and he replied, "Because they're basically ahead in research and development." Marvin Gearhart, president of Gearhart Industries, an aggressive domestic competitor of Schlumberger, says, in reference to the industry and Schlumberger, "It's a high-technology business, and they've been the leader in high technology." Riboud consistently pushes the company to maintain that lead. Schlumberger spends more money annually on wireline research and development than the total wireline profits of any one of its competitors, and Merrill Lynch's John Hayward, Jr., wrote in August of 1981, "If its nearest com-

petitor were to spend the same dollar amount, those expenditures would amount to roughly twenty-five per cent of that company's sales."

American corporations often tend to be preoccupied with short-term results, such as quarterly profits, and this preoccupation has been noted in more than one attempt at explaining the collapse of the American automobile and steel industries. A recent study by McGraw-Hill revealed that in 1982 American companies planned to invest only three and eight-tenths per cent of their revenues in research and development—down from seven and two-tenths per cent in 1980. This drop is explained in part by high interest rates and the recession. But a number of studies, including the book "Minding America's Business," by Ira C. Magaziner and Robert B. Reich, have demonstrated that this pattern persists even in robust years. Schlumberger, on the other hand, has increased its real investment in research and engineering every year; for example, it went from two hundred and forty million dollars, or four per cent of its revenues, in 1981, to three hundred and twenty-six million five hundred thousand dollars, or five per cent of its revenues, in 1982—a rise of thirty-six per cent. A memorandum prepared for the Schlumberger executive committee in February of 1982 says that the money spent on research in 1982 could climb in three years to five hundred million. John Hayward, Jr., analyzing Schlumberger's wireline business, reported that twenty-five per cent of the company's wireline revenues for 1980 were derived from "services introduced in the last five years." In 1979, Schlumberger acquired the Fairchild Camera & Instrument Corporation, which manufactures semiconductors, and since then it has dramatically augmented the company's research budget, from fifty million dollars to a hundred and five million dollars—a rise of a hundred and ten per cent. Nor has Schlumberger skimmed on investing in fixed assets to improve manufacturing efficiency and product quality. Despite the recession, the company's over-all investment in improved productivity remained at a billion dollars in 1982; at Fairchild the figure rose by a hundred and eighty-eight million dollars.

Technologically, Schlumberger's near-monopoly of the oil-field-service industry has so far gone almost unchallenged, but now Gearhart—which has nine per cent of the world wireline market—has vowed to change this. Al-

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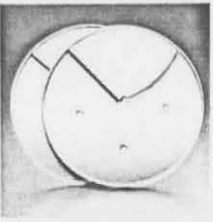


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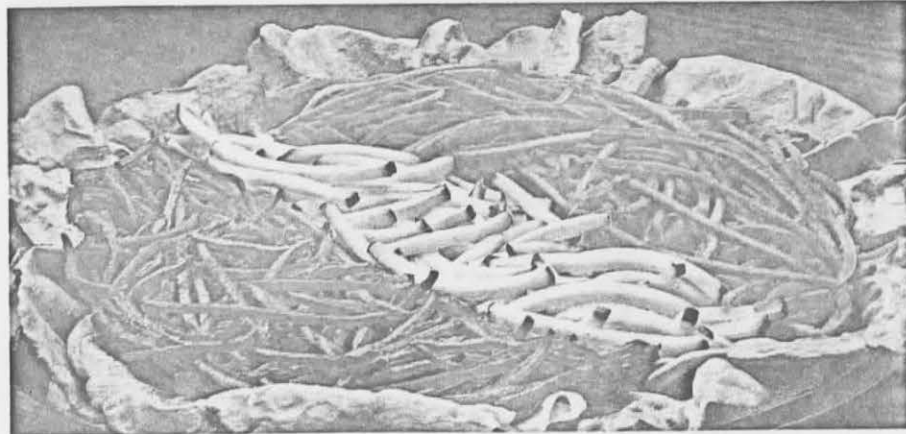
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most a fifth of Gearhart's stock was recently bought by the General Electric Company, which is still smarting from Schlumberger's acquisition, in 1982, of Applicon, a Massachusetts computer-aided-design-and-manufacturing company. G.E., which owned twenty-three per cent of Applicon, was taken by surprise when Schlumberger moved in. Schlumberger officials see an element of revenge in G.E.'s recently announced plans to invest part of its research-and-development funds—which total a billion seven hundred million dollars annually—in joint research projects with Gearhart. And Roland W. Schmitt, a senior vice-president at G.E., has candidly stated that G.E. hopes to increase "Gearhart's penetration of traditional Schlumberger operation areas."

Many independent oil analysts nevertheless believe that Schlumberger is widening its technical lead. Elizabeth Taylor Peek, a vice-president and associate director of research at Wertheim & Company, the investment-banking firm, wrote to her clients on October 6, 1981, "The long-term growth outlook for Schlumberger is dependent on the continuing evolution of the wireline product, and it is excellent. Nowhere in industry is productivity improvement more essential than in the oilfield." Only a third of what is estimated to be three hundred billion barrels of known oil in the United States has been recovered, she noted, adding, "Imagine if you increased that recovery to one-half?" (This opportunity, however, will have to wait for the current oil glut to pass.)

There will be new technological breakthroughs, according to Michel Gouilloud, the vice-president in charge of research at Schlumberger's principal research laboratory, in Ridgefield, Connecticut. "I think the main thrust for the industry will be to improve production," he says. "Now, for every hundred barrels of oil found, thirty are produced and seventy are left behind. So, obviously, if we improve that efficiency by ten per cent it improves the reserves available." To improve efficiency, says Jean-Claude Picard, a vice-president and the director of Schlumberger's research facility in Clamart, France, smaller equipment must be devised. Such equipment, Picard says, "would provide more measurements and reduce logging time." And the key to smaller equipment, he thinks, is the tiny microprocessors being produced by Fairchild, in California.

THE NEW CENTER

Helped by the Fairchild subsidiary and by a heavy investment in what is called artificial intelligence, Schlumberger may be nicely positioned for the future. In recent years, advanced technology has brought about an explosion of the well-log data that are generated at every well site. Concurrent advances in data processing have helped cope with this explosion, but an isolated field engineer cannot quickly interpret so much data, and none of Schlumberger's forty-four data-processing centers—which may be hundreds, or perhaps even thousands, of miles away from an oil well—can entirely replicate the skills of a trained field engineer. Consequently, a bottleneck has formed in the oil-field-service industry, with clients desperate for all possible information before they make their expensive decisions, and logging companies unable to provide a complete on-the-spot analysis of their complex logs.

Enter the new world of artificial intelligence, which means, according to Philip K. Meyer, a vice-president with F. Eberstadt & Company, who is a recognized expert on the subject, a computer capable of reproducing "the same knowledge base and reasoning processes of inference, intuition, induction, and deduction utilized by the human expert." Already, such computers have been used to speed assembly-line production, to improve medical diagnoses, and to facilitate weather forecasting. Soon they will be used to improve oil-well logging. The importance that Schlumberger attaches to this technology was heralded in a speech that Riboud, who rarely makes such appearances, gave to the New York Society of Security Analysts in March of 1980:

This technical revolution—artificial intelligence—is as important for our future as the surge in oil exploration. It will force us to design new tools, it will change the capabilities of our services, it will multiply the effectiveness of our instruments. It will change the order of magnitude . . . of our business.

Schlumberger guessed early that artificial intelligence would be a growth industry, and jumped ahead of its competitors. According to Wall Street analysts, it is widening its early lead. Schlumberger introduced the first artificial-intelligence tool into the oil field in 1982. Called a Dipmeter Adviser, it is connected to a computerized data base and automatically performs the interpretation functions of an engineer. Fairchild, which was once a premier semiconductor company but

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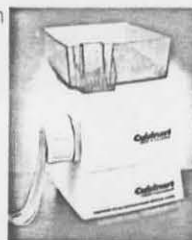
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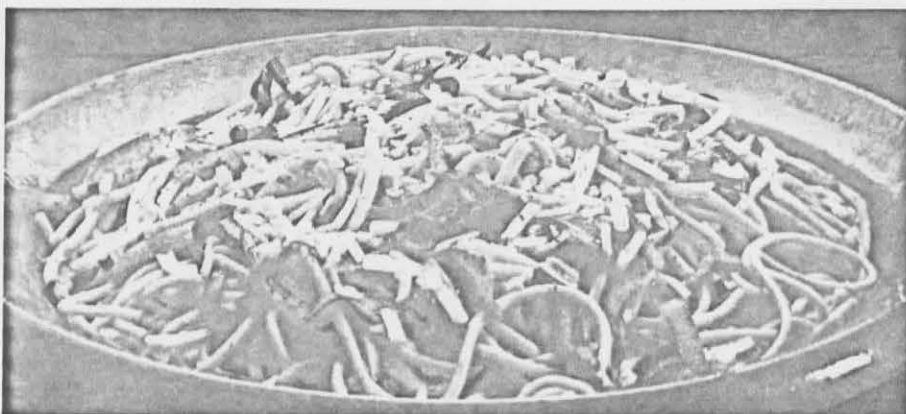
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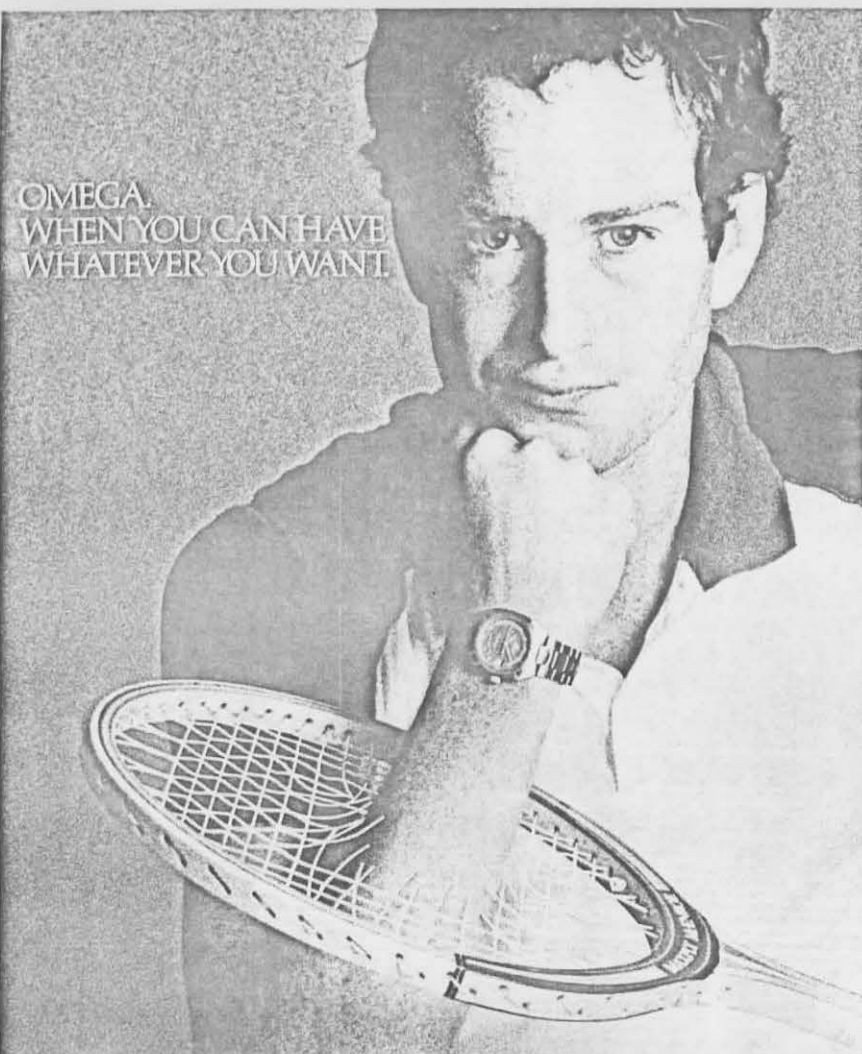


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then lost some of its best people, is at the center of a strategy to forge ahead in artificial intelligence. Moreover, Schlumberger has recently acquired four smaller high-technology firms (Applicon among them), and the company now has a sizable investment in artificial-intelligence research at its research center in Ridgefield, and at Fairchild's research lab, in Palo Alto, California. Although the extent of the investment is a closely guarded secret, Eberstadt's Philip Meyer estimates that Schlumberger devotes to artificial-intelligence research "a Ph.D.-level staff of some thirty persons in addition to considerable technical-support staff." To get an idea how large this commitment is, one must consider that each year only about twenty graduate students in American universities receive Ph.D.s in artificial intelligence. These facts lead Meyer and others to rank Schlumberger among the world's six leading non-Japanese companies in artificial-intelligence research. The others are Bell Labs, I.B.M., Texas Instruments, Hewlett-Packard, and Xerox.

Schlumberger's reliance on research and technology suggests a second reason for the company's success: Schlumberger executives are trained to think in ten-year and twenty-year cycles. According to a survey made by the management-search firm of Heidrick & Struggles, in Chicago, and reported in the *Los Angeles Times*, seven hundred and sixty out of a thousand top American executives surveyed said that companies were preoccupied by short-term considerations: quarterly profits, dividend statements, this year's budget crunch; acquiring new companies without expanding basic business or productivity; hanging on to familiar but shrinking markets or to outmoded manufacturing processes. According to William J. Abernathy and Robert Hayes, of the Harvard Business School, American companies are dominated by a generation of managers who were trained in business schools, and many of them are risk managers rather than risk-takers. Indeed, an estimated forty per cent of America's largest corporations have chief executives with backgrounds in law or finance; in 1950, only thirteen per cent did. This contrasts with Japan, writes Robert B. Reich in his new book, "The Next American Frontier," where "more than 65 per cent of all seats on the boards of Japanese companies are occupied by people trained as engineers. . . . Thus, in Japan, many

problems that arise in business are viewed as problems of engineering or science, for which technical solutions can be found. In present-day America, the same problems are apt to be viewed as problems of law or finance, to be dodged through clever manipulation of rules or numbers."

That is not the pattern at Schlumberger. "The time horizon there is longer than that of any other company I know in being willing to wait for a return on their investment," says Felix Rohatyn. Riboud points out that after the Compagnie des Compteurs was acquired, in 1970, it took Schlumberger seven years to transform it into a success. "We could afford to take the seven years, because we had our basic business," he says. "If it had been ten or twelve years, though, people would have lost faith in what we were doing." The Compagnie des Compteurs is actually one of relatively few companies that Schlumberger has acquired: fifteen or so over the past twenty years—a tiny number for a company of such size and cash reserves. This is in marked contrast to the current trend among American corporations. Between 1978 and 1982, American corporations spent an estimated two hundred and fifty-eight billion dollars to acquire other companies, many of them in unrelated fields.

Schlumberger, on the other hand, has not assumed that because it was successful in one field it could succeed in unrelated fields. This refusal to shed its basic identity is a third reason for its success. Schlumberger, Riboud says, will not engage in an unfriendly takeover of another company, believing that the hostility generated poisons the corporate atmosphere required for success. Profit is not Schlumberger's criterion in the matter of takeovers. The company is "not interested in a 'financial acquisition,'" says Arthur Lindenauer, Schlumberger's executive vice-president for finance. "We acquire companies only if the acquisition represents an expansion of our basic business." And Schlumberger, Riboud told the New York Society of Security Analysts, has but one business:

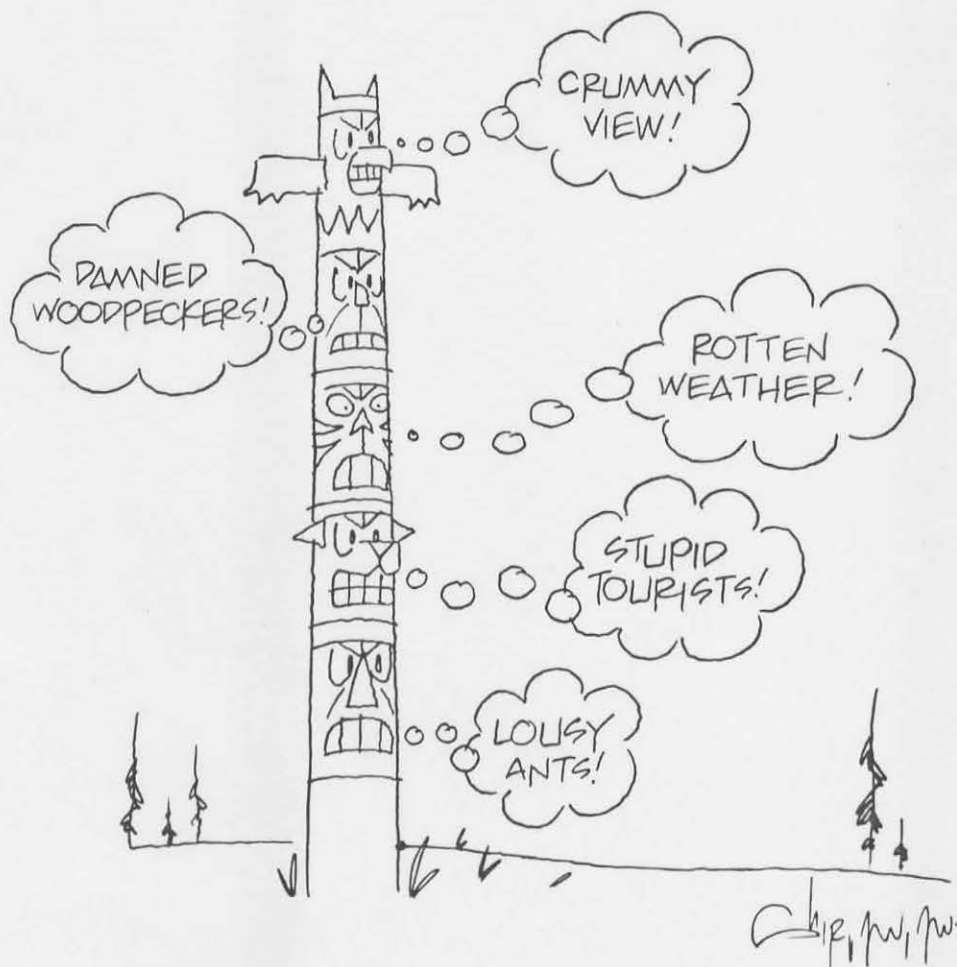
From the first day, Schlumberger technology was to collect and to interpret data, basically physical parameters. It happened that the first data we collected, the first data we interpreted, were on an oil well, propelling us in the oil-field service. Historically, it was almost by accident. Today, it is clear that there is a common thread, a common technology to all our undertakings. We are involved and committed to collect, to transmit, to compute, to analyze, to interpret data. It is the case

in an oil well. . . . It is the case for the new parameters to enhance drilling efficiency and safety. It is the case for collecting and analyzing voltage measurements in the electricity-distribution system to operate fast protection devices. It is the case for the sophisticated Fairchild automatic test equipment.

It is not, however, the case with all Schlumberger companies: Forex Neptune is an oil-drilling concern that owns rigs, and the specialty of Dowell Schlumberger (a pumping-and-cementing company owned jointly by Schlumberger and Dow Chemical) is well stimulation. Nevertheless, an advantage that Schlumberger maintains over its wireline competitors is that virtually all of them are so diversified that their wireline divisions can't command the primary attention the Wireline gets at Schlumberger. Forty-five per cent of Schlumberger's revenues come from its Wireline division, whereas its closest worldwide wireline competitor, Dresser Atlas, contributes just twelve per cent of the four billion one hundred million dollars in revenues generated by its parent conglomerate, Dresser Industries, which builds compressors and turbines, is in construction and mining, and also makes refractory and industrial-specialty

products. This leaves Schlumberger in an enviable position: although a conglomerate like Dresser actually has the resources to compete with Schlumberger's investment in technology, it lacks the internal pressure, and thus the willingness, to divert funds in an effort to catch up, while a smaller company like Gearhart Industries, which does devote itself to wireline work, does not have sufficient profits (Gearhart netted thirty-one million dollars in 1981) to mobilize the resources necessary to catch up.

Schlumberger's determination to stick with what it knows best contributes to a fourth reason for its success: it is relatively unburdened by debt. Unlike, say, the du Pont company, which had long-term corporate debts of five billion seven hundred million dollars in 1982, Schlumberger's long-term debt as of December, 1982, was a mere four hundred and sixty-two million dollars; moreover, it had a readily available cash pool of two billion three hundred million dollars in short-term investments. Such a balance sheet, says Elizabeth Taylor Peek, of Wertheim & Company, is "incredible for a company of that size." Interest income alone brought Schlumberger two hun-



dred and fifty-four million dollars in 1982. In 1981, only six and two-tenths per cent of Schlumberger's total capitalization was long-term debt, whereas the average among American manufacturing, wholesale, retail, and mining concerns has been estimated by the Conference Board, a business-research organization, to be twenty-seven per cent. Schlumberger's long-term-debt-to-equity ratio in 1981 was a mere six and six-tenths per cent, compared with the Conference Board's average of thirty-eight per cent. The absence of debt permits Schlumberger not only to avoid onerous interest rates but also to avoid diluting the worth of its stock by selling new stock to finance expansion plans; to finance all capital expenditures with internally generated funds, and thus act as its own banker; and to acquire companies in related fields. On the other hand, as interest rates fall, the danger of such a conservative financial-management policy is that Schlumberger will sit on its cash reserves, earning less from its short-term investments than it might on business investments.

Schlumberger is exceptional in a fifth way: it is in good standing in the Third World. Multinational companies are often resented by Third World nations, which fear that their wealth may be monopolized and exploited. Some companies have been nationalized or compelled to accept joint-ownership arrangements, and as a result the growth of their profits has

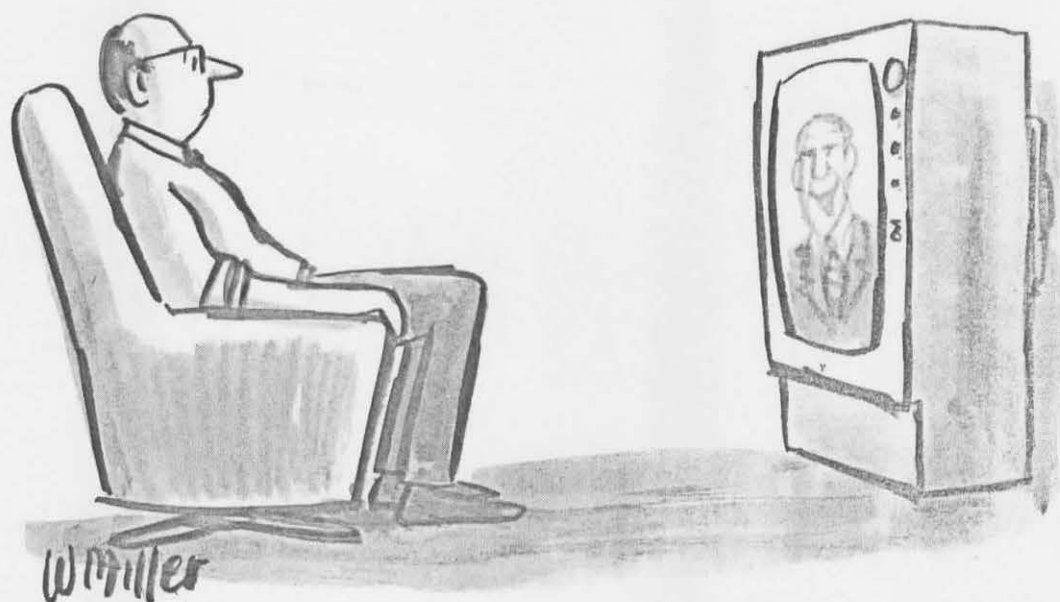
been slowed. Schlumberger has never been nationalized, and it has refused to enter into joint-ownership agreements (except for the one with Mexico). There are several reasons for Schlumberger's standing in the Third World. "You can't nationalize a spirit or brains," Riboud has said. "They could nationalize a few trucks, but what would they have? The concept from the beginning was to do everything ourselves—to manufacture the equipment and deliver the services. We never sold equipment. So how do you nationalize a service?" Schlumberger has escaped troubles of the sort that befell many oil companies in the Middle East and the United Fruit Company in Latin America, partly because it has striven to remain inconspicuous. It does not own natural resources (oil) in any nation but services those who do. It does not engage in consumer advertising, and it does not lobby governments, so it is less of a target than the well-known big corporations. "Many companies operate successfully all over the world," says Thomas Roberts, who went to work for I.B.M. after graduating from West Point and a stint in the Army; left after one year to become a Schlumberger engineer; and in 1979, at age thirty-seven, became the president of Fairchild. "But those companies retain their nationality. By God, they're American. Or Japanese. Or British."

The key executives of most multinational companies tend to be of a single nationality. For example, Rob-

erts' former company, I.B.M., has twenty-three members on its board of directors, all but one of whom are Americans. Exxon has three non-Americans on its nineteen-member board. General Electric has only Americans on its eighteen-member board. This has not been the case at Schlumberger. Its board was evenly divided in 1982 between French and American nationals. Four of its key executives—Roberts; Arthur Lindenauer, executive vice-president for finance; Arthur W. Alexander, vice-president for personnel; and Roy Shourd, executive vice-president of Drilling and Production Services—are American. The head of the Wireline division, Euan Baird, is a Scot; André Misk, a vice-president and the director of communications, is Lebanese; Heinz Denkl, who runs the new wireline operation in Asia, is German; Ian Strecker, who heads its North American counterpart, is British; Roberto Monti, who supervises the field operations of the Atlantic wireline operations, is Argentine. Riboud and Roland Génin, the chairman of the executive committee, are French; Michel Vaillaud, who in December became the president of the company, and Michel Gouilloud, the vice-president for research, are also French, but they live in New York and Ridgefield, respectively.

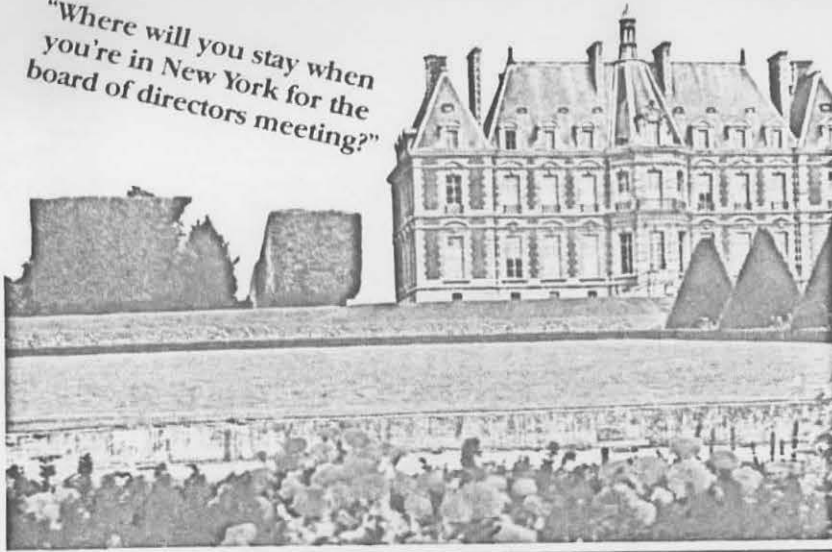
This pattern is repeated throughout the company. The 1981 annual report states, "Forty per cent of the engineers recruited in 1980 and 1981 for assign-

ment outside of North America came from developing countries. To date twenty-four percent of all field engineers in these assignments come from these countries." At Ras Gharib, for example, which is one of two oil camps in the Egyptian desert, across from the Sinai, Schlumberger employs thirteen engineers—one French, two British, two Canadian, one Peruvian, one Iraqi, three Nigerian, one Australian, one Austrian, and one American. Worldwide, Schlumberger employs twenty-five Egyptian engineers. Engineers are trained at some eighteen sites around the globe, and a third of their teachers are from Third World countries. Alaa Mahdi, the



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Iraqi engineer at Ras Gharib, says, "I don't feel that Schlumberger has any particular nationality." Riboud concedes that Schlumberger's record is far from perfect. No blacks, few women, and only one Indian executive and one Japanese executive were among the hundred and twenty-five Schlumberger managers attending a conference of top executives in Deauville, France, in June of 1982. "We are still a company of white men," Riboud has said. That may be changing, however slowly, for Schlumberger and other multinationals. "Most American companies operating in the Third World, particularly those that have been operating there for a long period, have few Americans employed in them," says Nancy Truitt, who is the program director at the Fund for Multinational Management Education, a nonprofit organization financed by foundations, corporations, and American government contracts. Hiring local people, she explains, is generally "less expensive," and lessens political tensions.

Schlumberger's willingness to shed a strictly French identity is linked to a sixth reason for its success: decentralization. It is an unusually lean company, in stark contrast to a trend among corporations to expand staffs and central management. For example, the Bureau of Labor Statistics reports that although unemployment rose between January of 1980 and December of 1982, the number of managers and administrators in the American economy increased by nine per cent. "This company has no budgeting-and-analysis section, no central-marketing, no central-manufacturing, no strategic-planning department," says Allen Klein, Schlumberger's director of taxes. "That makes it unique. It's an entrepreneurial corporation, which in itself is an anomaly. Most corporations are managerial. Here the emphasis is on profitability rather than on perpetuation of the management."

William Bufton, who managed the wireline operations in Egypt and the Sudan, had a thick book on his Cairo desk setting forth in detail the annual goals he was expected to meet as division manager. His superior specified in writing the expected profit margin, the return on investment, the share of the market, the permissible lost time on the job, the number of engineers to be recruited, and the facilities to be completed in a given year. Similarly, Bufton gave the managers who reported to him a specific set of targets,

and so on down the line. These goals, however, were set in the field, not at central headquarters. A Schlumberger engineer in Louisiana was asked what he would complain to Riboud about if he had the opportunity, and he replied, "Nothing. I'd talk to my district manager."

Usually, Schlumberger engineers are sent out on their own when they are fairly young, and so early on they get a taste of responsibility and are rewarded for being aggressive and taking risks. Since Schlumberger carefully screens its engineers (eight are interviewed for every one hired), since it adheres to a policy of promoting from within, and since most of its executives started out in the field, the company is full of independent people. Euan Baird, who joined Schlumberger as an engineer twenty-two years ago, says that young men "learn and mature very quickly. A great many people don't get that responsibility until they're middle-aged, and by then they have a fixed attitude toward life."

A seventh reason for Schlumberger's success might be called the pride-and-humility factor. Schlumberger engineers are usually proud and self-confident, but their superiors also attempt to instill a certain humility. Being in a service business helps—and Schlumberger, from its early days, when Conrad and Marcel Schlumberger emphasized technology and service over profits, has been a company intent on staying close to and serving its customers. One sees this in the small number of central-headquarters personnel; in the company's personnel policies; in Riboud's constant admonitions to employees not to act "like King Kong." All these policies conspire to maintain in employees a balance between pride that Schlumberger is the world's leading oil-field-service company and fear that it can easily slip. Being shifted from one corporate job to another is normal for these people; growing comfortable in a job is not. "Moving people keeps the system very much alive," says Bernard Alpaerts, who in 1981 was suddenly



"Dottie writes her own lyrics, but the music is by Gustav Mahler."

transferred out of oil-field services to become head of Measurement & Control—Europe. "It keeps people on their toes. When you do something for five years and you're successful, you feel you know everything. When I left drilling and oil-field services in 1981, I felt I knew everything. I had been in the oil field for twenty-nine years. That's dangerous. As soon as you feel you have all the answers, you listen less."

Alpaerts was reflecting a deeply ingrained company attitude—an attitude that was also reflected in a speech Riboud made to a conference of all Schlumberger personnel managers, in Paris, on March 17, 1981. He began by saying that only two things threatened Schlumberger. One was a thermo-nuclear war, over which the company had no control. The second, he said, "is within our control: the 'demotivation' of the Schlumberger people." He recalled how enthralled he was after the war by the "freedom and creativity" of America and its businesses, and continued, "And yet in less than thirty years—within one generation—although America has the same natural resources, has still the best education system in the world, has the most innovative technical creativity, I think it is a fact that many Americans became 'demotivated.' You can notice it whether you ride in a taxi in New York, whether you shop in a department store in Houston, whether you try to cash a check in a bank in

Boston, whether you travel on most U.S. airlines. Workers and employees have lost the motivation that moved America forward after the war. During the same period, an exactly opposite trend took place in the Far East, particularly in Japan. . . . If I look now at Schlumberger, obviously we are riding on top of the wave, everything looks bright. . . . How can we lose? Simply by letting the motivation of the Schlumberger people fade away. America fell asleep. Is Schlumberger going to fall asleep, too? . . . I am now asking you to add a new and more important parameter to your job: you are responsible for the fundamental motivation of the Schlumberger people. This is a totally new dimension to your job." Riboud added, "You must have and ask for a higher position in the corporate totem pole, in the salary scale."

What Riboud has called "the will to win" hints at a final reason for Schlumberger's success—what employees refer to as "the Schlumberger spirit," or what Thomas J. Peters and Robert H. Waterman, Jr., in their current best-selling book, "In Search of Excellence: Lessons from America's Best-Run Companies," term "corporate culture." Because commonly accepted attitudes, values, a company spirit cannot be measured, analysts often overlook the role such things play in determining a company's success or failure. Riboud likens the Schlumberger spirit to a religion. "It is our greatest

asset, our unique strength," he says. The reason the Japanese have done so well, he told the New York Society of Security Analysts in March of 1980, is so simple and so obvious that it has been overlooked. It has less to do with their technological prowess, their productivity growth, the assistance they receive from their national government than with spirit. "They had the same faith that the great religions had in past centuries," he said. Riboud then tried to define what makes up the Schlumberger spirit:

(1) We are an exceptional crucible of many nations, of many cultures, of many visions. (2) We are a totally decentralized organization... (3) We are a service company, at the service of our customers, having a faster response than anybody else. (4) We believe in the profit process as a challenge, as a game, as a sport. (5) We believe in a certain arrogance; the certainty that we are going to win because we are the best—arrogance only tolerable because it is coupled with a great sense of intellectual humility, the fear of being wrong, the fear of not working hard enough.

Where does this spirit come from? Surely—in part, at least—from the personalities at the top: from the Schlumberger brothers and from Jean Riboud. "Conrad and Marcel created this spirit of friendship and honesty, and Riboud kept it," says Anne Gruner Schlumberger, a daughter of Conrad Schlumberger. "Riboud is loved because he is very friendly. It is the love of people, and the interest in their life. When people left for America and Russia, Conrad escorted the engineers to the railroad station to give them advice. He knew their families, their children." The brothers communicated shared democratic values within the Schlumberger hierarchy, as Riboud does today.

The company's spirit also comes in part from the special nature of Schlumberger's business. From the start, Schlumberger has been the only wireline company to refuse to turn over raw data to clients, insisting that it alone must process these data, for it is producing a service, not a commodity. Anne Gruner Schlumberger has written that "the high quality of human relations" at the company "took its start from a 'noble' activity, in the sense that nothing produced there was mere merchandise." She goes on, "The object conceived and made there was not such as fall into an anonymous market and in their turn become anonymous. This sonde, that galvanometer, were not for sale. The tie between the man who makes and

the thing made was not cut." The Schlumberger brothers stipulated at the outset that the company would not own oil wells or permit employees to buy shares in oil companies. If Schlumberger was to be trusted to keep oil-company secrets, it had to be "pure." Dominique de Ménil, another daughter of Conrad, who was trained as an engineer and worked closely with her father, has recalled, "You had to be totally honest, and independent of any interest." Engineers at Schlumberger sensed that they were embarking not just on a career but on a calling. They were not just merchants but missionaries.

In this sense, as Riboud says, the spirit is in the company's "genes," transmitted from the top down, starting with the Schlumberger brothers. But the spirit also rises up from the bottom. As the company grew, so did the number of engineers. Few of them knew Marcel or Conrad or Riboud. Like military recruits who go through basic training together, they became a clan. They worked sometimes seven days a week for two straight months. They lived, ate, drank, showered, watched video cassettes, and vacationed together. They swapped stories about their work. For months at a time, the only people they had contact with worked for Schlumberger or for an oil company.

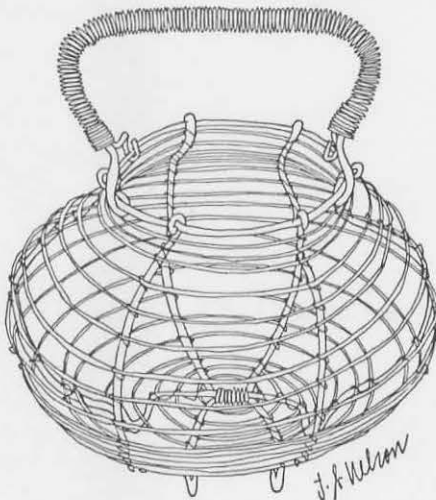
HOW to maintain and spread the Schlumberger spirit is a preoccupation of Schlumberger executives pondering the company's future. It's not difficult to understand what has made the company so successful, Bernard Alpaerts says: "decentralization and creating a certain spirit." The danger, he says, is in "not understanding how you keep that." He worries that Schlumberger may be losing its

spirit: "You can hire a young engineer today and the first question he asks is 'What's my pension?' Twenty years ago, he would not have asked that." In Alpaerts' mind, the spiritual decline is a product of the materialism, insecurity, and weakened bonds of trust that plague industrialized society.

In the view of Claude Baks, who was hired by Marcel Schlumberger as a field engineer in 1946, the company lost some of its spirit when it began acquiring additional companies and spread out of the oil-field services. "For me, the spirit has changed," he says. "Then the company was small and had a more adventurous spirit. Now it is large and has absorbed a lot of small companies that have nothing to do with oil wells. The spirit has changed, but not so much in the oil part. For the time being, it's preserved—I'd say eighty per cent."

It is not clear whether the spirit is dependent on constantly rising profits. If the oil industry continues to contract, could Schlumberger employees lose their self-confidence? The *Wall Street Journal* recently reported, for example, that the Polaroid Corporation was "going through a mid-life crisis;" slowed growth had drained some of its creative excitement. Schlumberger executives worry that the company will divide between the robust Wireline division and the struggling Fairchild; that weaker parts of the company will pull down the strong; that executives may be transferred to divisions where their performance cannot measure up. Ian Strecker, the head of Wireline operations in North America, asserts that the Schlumberger spirit can be extended to new subsidiaries, as he believes it was to Dowell Schlumberger, where he served as president. Only a third of Dowell Schlumberger's employees are engineers, he says, yet their drive has helped the company gain thirty-five per cent of the world market. Asked whether the spirit could be imparted to the employees at Fairchild, Strecker said, "I could be wrong, but I think the answer to that is no. I think it is difficult to transfer spirit outside an oil-field-service company. We've tried it in our manufacturing plant here in Houston. There is a little bit of spirit there, but you don't get the same spirit you do in the field."

That is one cloud on the Schlumberger horizon. Another has been the question of Riboud's eventual successor. In the spring of 1982, Riboud, who is now sixty-three, said, "Who-



ever replaces me will be pushed in a certain direction. Except a fool, an idiot, the circumstances will push him. Remember what de Gaulle said when he was asked 'What after de Gaulle?' He said, 'After de Gaulle—a traffic jam.' That's what it will be like after Riboud—a traffic jam.' I can think of four, five, six people in different age groups who could become president."

The leading candidate, according to those familiar with Riboud's thinking, was Michel Vaillaud, a man with a relaxed manner and a broad interest in history and the arts. But Vaillaud is relatively new to the company, and he did not start as a Schlumberger engineer. Among Vaillaud's advantages were that he was older (he is fifty-one), and so perhaps more mature than most other candidates; that he has served in both the electronics and oil-field-service divisions of the company; and that his years in the French Civil Service honed his skills as a diplomat. Another potential member of the "traffic jam" was Euan Baird, forty-five, the vice-president of the Wireline. He is a former engineer, and is a bright, independent man who often plays golf with Riboud. But some board members feel that Baird is something of an aristocrat, possessing the required self-assuredness and pride but not sufficient humility. Another candidate was Thomas Roberts, forty, the president of Fairchild. His fortunes, however, were tied up with Fairchild's. Moreover, to make Roberts president before he succeeded at Fairchild would have violated Riboud's belief that a corporate president, like the president of a nation, needs a consensus to rule. Yet another prospective candidate was Ian Strecker, the forty-three-year-old Englishman who heads the North American Wireline. Riboud did not know Strecker as well as he knew the others, but Strecker's job

performance and grasp of technical problems impressed him and others.

Riboud sorted out the traffic jam at the board meeting in New York on December 9, 1982, by announcing that Michel Vaillaud would succeed him. Vaillaud was appointed president and chief executive officer. Instead of leaving the company with two divisions and two senior executive vice-presidents, Riboud consolidated these in Vaillaud's hands. Roland Génin, the executive vice-president in charge of electronics, was made chairman of the executive committee, with responsibility for long-range strategy and research. Baird and Roberts now report directly to Vaillaud. Bernard Alpaerts was made the president of Measurement & Control worldwide, minus Fairchild. There was a major surprise: Roy Shourd, whom Riboud had removed as president of the North American Wireline and shunted off to a staff job in New York, was promoted to executive vice-president of Drilling and Production Services, reporting to Vaillaud. The final maneuver involved Riboud. Although Vaillaud was elevated to president, it was announced that he would continue to report to Riboud, who would remain as chairman. Further, the board of directors voted to modify Schlumberger's mandatory retirement age, in order, the company's official announcement declared, "to provide for the possibility of Mr. Riboud continuing in the corporate leadership beyond the normal retirement age of sixty-five."

Even with the matter of succession apparently resolved, Schlumberger faces another major uncertainty—the problematic future of the oil business. The year 1982 was brutal to most companies that make their living from oil. Worldwide, oil production declined eight and seven-tenths per cent between June of 1981 and June of 1982. In North America, the number of operating oil rigs was reduced by almost half within eight months—from just over four thousand in January of 1982 to twenty-six hundred and thirty-six that August. (The number was down to nineteen hundred and ninety in March of 1983.) This decline in production mirrored a decline in demand—down from sixty-five million barrels of oil consumed daily in 1979 to fifty-seven million in mid-1982. The price of oil had dropped from forty dollars a barrel to thirty-four dollars in 1982, and in 1983 dropped again, to below twenty-nine dollars. Early in 1983, deep fissures in



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the Organization of Petroleum Exporting Countries appeared when some countries lowered their prices. Although oil prices have dropped, the cost of extracting oil is high, and inflation and interest rates remain high. These economic factors are reflected in the profit-and-loss statements of companies connected to the oil business. Last year, the net income of most of them fell. Most were compelled to lay off workers; for example, the Hughes Tool Company, a Schlumberger competitor in the drilling business, had cut ten per cent of its work force by June. New investments in research and new efforts to extract more expensive shale, offshore, and tertiary oil—a principal reason that President Carter decided to decontrol oil prices in 1979—dwindled.

Schlumberger embarked on a major cost-cutting effort—reducing its employees from eighty-five thousand to seventy-five thousand—and ended the year as one of the few oil-related firms with growing profits, its net income having risen six per cent over 1981 (although in the last three quarters net income has dropped).

What does all this portend for the future of oil and of Schlumberger? Every expert offers his own answers, it seems, and predictions fluctuate wildly. Morris A. Adelman, a well-known energy economist at the Massachusetts Institute of Technology, told the *New York Times* in August of 1982, "Oil is a static or, more likely, a declining industry." Many oil analysts predicted at the end of 1982 that the price of oil would dip five or six dollars a barrel (it did), and some have since asserted that the price of oil could drop to fifteen dollars a barrel—an event that would not only sharply reduce Schlumberger's profits but, Riboud argues, quickly lead to oil shortages. President Reagan has not continued President Carter's efforts to promote energy conservation, for he believes that a free market will take care of public needs. Still, a number of experts claim that the current oil glut is a mirage, warn of another oil crisis, and say there is a crucial need for conservation. The International Energy Agency, an organization composed of the twenty-one largest industrial nations, prophesied in October of 1982 that there would be an acute energy shortage by the end of the century, and that a shortage and a rise in prices would be evident as early as 1986.

Schlumberger officials make a distinction between the long-term and the short-term prospects of the oil industry. Riboud is moderately optimistic about the continued growth of oil profits in the long term, and therefore sides with the experts who warn of eventual shortages. He does not expect the price of oil to rise in the next two to three years, yet he is unperturbed, telling shareholders in Schlumberger's 1982 annual report, "A limited and orderly reduction in the price of oil to the \$25-to-\$30 level will have a minimal effect, if any, on the exploration and production. . . . It will increase the demand for hydrocarbons." Even if drilling declines, he wrote, "we will improve the quality of our services and will grow faster than the drilling activity." The steadying of



oil prices over the past decade has been a healthy development, he argues. "Fundamentally, the Western world owes a lot to OPEC," he says. "This business of believing that the marketplace can handle the price of crude oil is crazy. If it were not for Saudi Arabia"—which over the past several years has persuaded OPEC to maintain production—"you'd see tremendous prices in crude oil." The Saudis, he says, "saved capitalism." Riboud believes that even if oil prices fall further Schlumberger will be all right; he points out that even when drilling declined in the United States, Schlumberger Well Services—part of the North American Wireline—experienced steady profit growth.

Riboud acknowledges that serious questions loom: Can the Saudis lower production? Can the world absorb Iranian and Iraqi crude oil when it comes back on the market? Will OPEC collapse? Will crude-oil prices and production decline? Will some oil producers default on their loans? Will the Saudi royal family be deposed? Will new fighting break out in the Middle East, which today supplies sixty-five per cent of the crude oil traded on the international market? Will there be technological breakthroughs that will lower the cost of oil discovery and extraction? Will oil exploration in North America, the lack of which was primarily responsible for Schlumberger's decline in earnings in the last three quarters—the first in twenty years—rebound in 1983? Will the American economy and the world economy recover?

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Schlumberger's competitors and independent Wall Street analysts are generally optimistic about Schlumberger's future. "They're a mighty fine company," says Marvin Gearhart. When he was asked if he thought Schlumberger was slipping in any way, Gearhart, who is not a man to waste words, replied simply, "No." Morgan Stanley's John C. Wellemeyer, whom the *Institutional Investor* in 1981 rated the best oil-field-service-company analyst on Wall Street, alerted investors to Schlumberger in April of 1982: "We particularly emphasize the appeal of Schlumberger. The stock price of this premier oil-service company will be the first to recover, in our opinion." In June of 1981, Everett Titus, a vice-president with the brokerage firm of L. F. Rothschild, Unterberg, Towbin, was optimistic about "the longer-term growth prospects for Schlumberger," and Eberstadt's Philip Meyer noted in a February, 1982, report that the company was "technologically better equipped and more sensitive to new market opportunities than I've seen it in ten years."

Riboud expects oil-field services to remain at the heart of Schlumberger's business for the next fifty years. At the meeting of top executives last June, he spoke of the future and the past. He said that Schlumberger and the world were entering "a new cycle"—a cycle that would no longer feature annual earnings-per-share increases of twenty-five to thirty-five per cent. He divided the years after the Second World War into three cycles. The first, from 1945 to 1970, had three aspects: cheap and abundant energy; the world dominance of American business; and the Bretton Woods agreement creating an international monetary system. The second cycle, from 1970 to 1980, saw the end of cheap oil; the challenge to American business dominance, particularly from Japan and other countries of the Far East; and the collapse of gold as the single international monetary standard. These changes helped ignite the worldwide rise in inflation and interest rates. We are

now living through the third cycle, Riboud said. Its features include a slowdown of the American economy; a zero growth rate in Western Europe; and a "sense that the boom is coming to an end" even in the Far East. "It is easy to be pessimistic," to warn of a "major crisis," or a "depression," to predict twelve-dollar-a-barrel crude oil and the crumbling of the Western alliance, he said. "My own assessment is that we will have a deeper and longer recession than I and others once thought." The oil business would not recover in 1982, or even in 1983, he said, but he thought Schlumberger's oil-field-service profits would probably continue to rise, though not as rapidly as they rose in past years. He said he expected the company's earnings per share to increase in 1982. (They did.) Assuming that there was no "economic collapse," Riboud said, Schlumberger's technological lead would help the Wireline division "return to normalcy." (In this year's first quarter, Schlumberger's profits dropped twenty-seven per cent from the comparable quarter in 1982—from three hundred and fifty-four million dollars to two hundred and fifty-nine million dollars.)

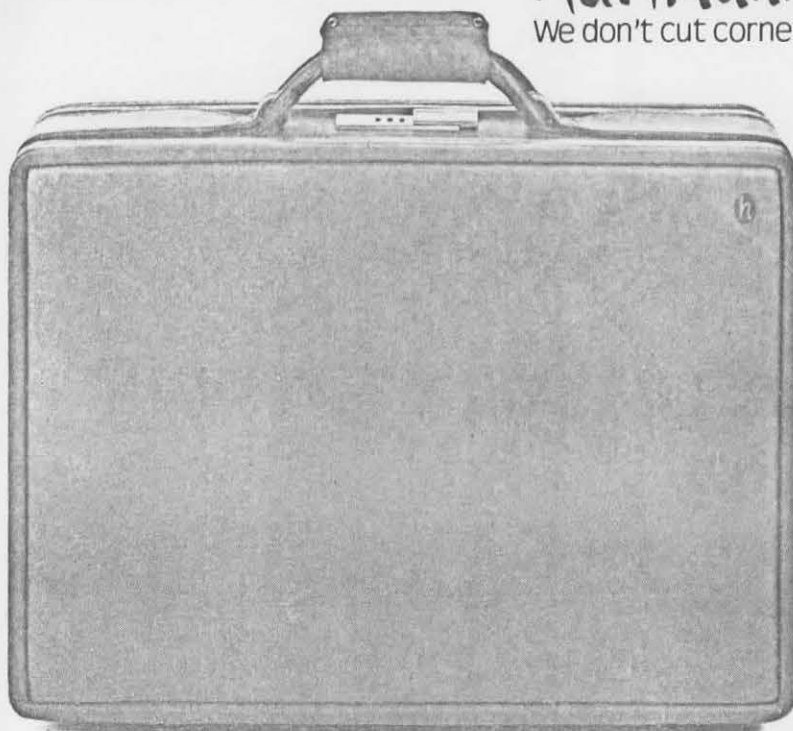
He was more guarded in his assessment of other divisions of Schlumberger. Though Forex Neptune enjoyed a twenty-eight-per-cent growth in revenues in 1981, he cautioned that its revenues would decline in 1982. (In fact, they rose by eleven per cent.) This would actually be "a blessing," he said, for "booms tend to hide a lot of sins." Over the past decade, Forex Neptune had raced to keep up with its fantastic growth, so problems had not surfaced, and executives had not had time to concentrate on long-term goals. Riboud said that he wanted Forex Neptune's principal goal to be to improve the technology of drilling. If it accomplished this, then it would "shape" the direction of drilling the way Schlumberger shapes the direction of logging.

Riboud reported that Schlumberger's two well-testing and completion-service companies—Johnston-Macco, which does business in the United States and Canada, and Flopetrol, which operates in South America and the eastern hemisphere—were well run and profitable. Johnston-Macco's revenues rose forty-two per cent in 1981, and Flopetrol's twenty-seven per cent. Typically, Riboud focussed on future challenges. The long-term challenge for both divi-



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sions, he concluded, was to coordinate their sales and research efforts better worldwide. (In 1982, the two companies merged into the Flopetrol Johnston group, and over-all revenues rose eleven per cent.)

Riboud said that Dowell Schlumberger, the one joint venture that Schlumberger has participated in, had for twenty years been successful. Its revenues rose twenty-three per cent in 1981 (and fifteen per cent in 1982). Riboud would like to buy the fifty per cent of this company which is owned by the Dow Chemical Company, he said, "but it takes two to marry." In any case, he said, "probably Dowell Schlumberger is the only successful fifty-fifty success story I know." He pointed out, however, that the responsibility for managing Dowell Schlumberger was Schlumberger's alone. The subsidiary's immediate goals, he said, should be to develop its own research component, and to focus on fewer techniques and perfect those. As for the long term, he said he was unhappy that Dowell Schlumberger and Halliburton shared the lead, each claiming thirty-eight per cent of the pumping-and-cementing market; Dowell Schlumberger's goal must be to be No 1.

Although the subsidiary called The Analysts had a forty-two-per-cent increase in revenues in 1981, Riboud expressed concern about its future. In contrast to ordinary wireline procedure, in which drilling is stopped and the oil company pulls the pipe from the well to allow logging measurements, the work of The Analysts is to provide logs during drilling. Riboud expressed pleasure that under the tutelage of Carl Buchholz, the president, who is a friend and former bridge partner of his, an excellent management team had been installed in just a few years. But then he recalled a dinner at New York City's Sky Club three years before, when Buchholz and Fairchild's Thomas Roberts, both of whom had just been appointed to their posts, boasted of the miracles they would perform. "It has gone slower than they thought," Riboud said. He praised Buchholz's strategy-and-management team. "What we really need is tools that work in the wells," he said. After noting that The Analysts was not the No. 1 mud-logging company in the world, he said he would remain dissatisfied until it was. (In 1982, its revenues declined seven per cent.)

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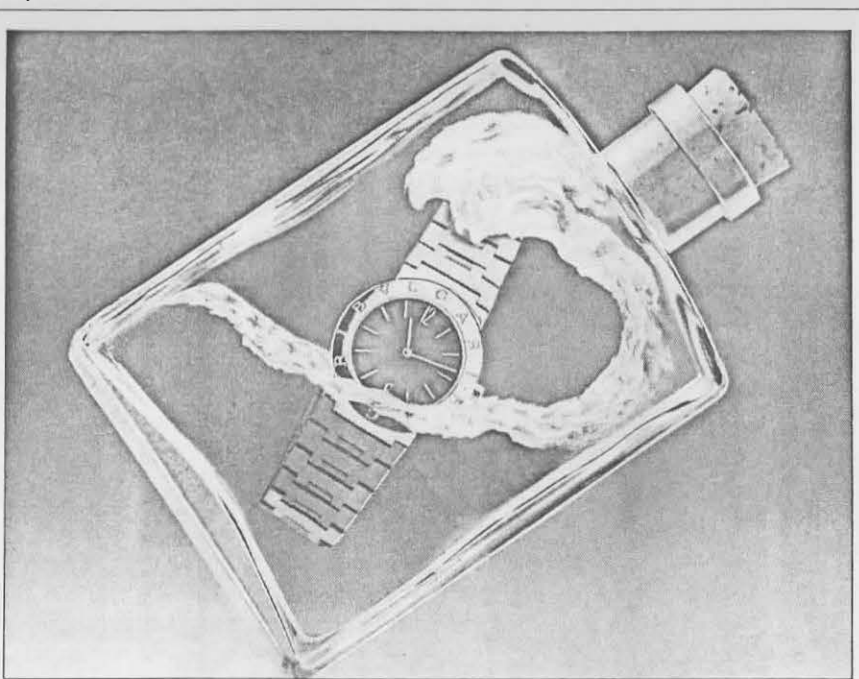


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one, he said, for the non-oil-field-service half of Schlumberger—Measurement, Control & Components. The various companies operating in this division manufacture, among other products, electric, gas, and water meters; nuclear, petroleum, and industrial valves; and aircraft instruments. Revenues of this division declined one per cent. Revenues of Measurement & Control—Europe declined four per cent. The problems, said Riboud, were caused by the recession in the United States and Europe; by “the basic conservatism and resistance to change of our major customers, particularly the utilities,” which were too comfortable with outmoded meters; by “the mosaic of countries and products we face;” and by the drop-off in the oil business. The challenge, Riboud concluded, was to slim down, to discard products that did not promise to capture a larger share of the market.

Riboud said that Computer Aided Systems—one of Schlumberger’s newer subsidiary groups—had an as yet unrealized potential. This group makes so-called CAD/CAM systems (for “computer-aided design/computer-aided manufacturing”) that are intended to revolutionize the design, manufacture, and testing of products ranging from bolts to airplanes. Schlumberger’s 1981 annual report declares, “The ultimate goal of this revolution could be a fully automated factory.” Schlumberger’s acquisition of Applicon was a step toward this goal. Applicon was a pioneer in automating the design and drafting processes by using computers and TV-like terminal screens, so that engineers could test the function and durability of designs without building expensive prototypes. Riboud said that Applicon officials came to Schlumberger on their own, through a stockholder, J. H. Whitney & Company. (At the time, Whitney’s managing partner, Benno Schmidt, was a member of the Schlumberger board.) Like many small high-technology companies, Applicon was starved for research dollars. Schlumberger provided capital, and in addition Riboud was able to combine Applicon with an earlier acquisition, Manufacturing Data Systems, Inc., of Michigan. These companies, together with two other recent acquisitions—Benson, a manufacturer of computer-aided drafting systems, and Accutest, a manufacturer of test equipment—make up Computer Aided Systems. (The Federal Trade Commission has so far blocked the acquisition of Accutest, claiming that it



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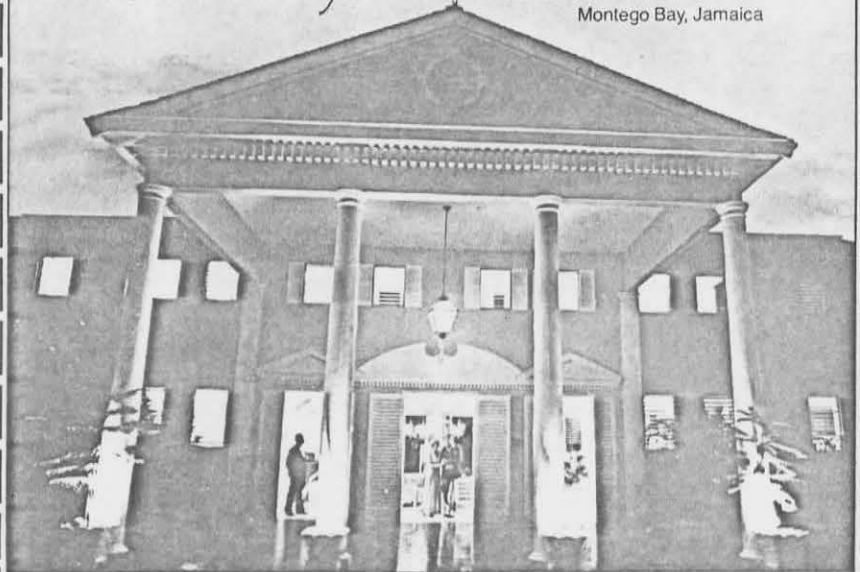
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could reduce competition and create a monopoly for automatic test equipment.) "Everyone says it is one of Riboud's stupid acquisitions," Riboud told his executives. He disagreed, he said, for one day he expected engineers to rely on CAD/CAM systems the way they now rely on calculators. But he admitted that in the short term their profitability would be modest. The immediate objective, he concluded, was to instill in this division "the will to make money"—the same will that the best companies in the world, like I.B.M., the Digital Equipment Corporation, Hewlett-Packard, and Schlumberger, have had "from Day One."

Riboud talked about other Schlumberger divisions, concentrating on Fairchild. Although Fairchild's revenues slipped twelve per cent in 1981 (and six per cent in 1982), he said that if he were given the opportunity he would make the same decision—to buy the company—today. "Is it a business we want to be in? Yes." Although Riboud has acknowledged that he may have paid too much for it, he predicted at the time of the acquisition that Fairchild's problems would take no more than five years to resolve (he now says seven years). He pointed out to his executives that two years remained. He said he had started with "two simple objectives," which he hoped to realize after five years: "Fairchild should be one of the five top semiconductor companies in the world. Second, Fairchild must remain the leader in automatic test equipment in the world." To achieve these objectives, the parent company had to put huge sums into the modernization of Fairchild's plants and into research. "The question is: Are we modernizing or just plugging the leaks and subsidizing the operating losses of Fairchild? It's not simple to tell which you are doing." Riboud praised Thomas Roberts, Fairchild's president, and then said that the company now needed to strengthen its middle management and to learn from the Japanese how to manufacture semiconductors. Early in 1983, broad management changes were made at Fairchild, and operations at its South San Jose manufacturing plant were reduced.

Summing up, Riboud said, "If we lose the drive, and fear searching for new technologies, or fear taking incredible gambles on new managers," or fear to heed the voices of "other countries and cultures, then we will

become an establishment." If that happens, Schlumberger may remain powerful and profitable for the moment, but ultimately it will decline. "It's easy to be the best," Riboud has said many times. "That's not enough. The goal is to strive for perfection."

—KEN AULETTA

(This is the second part of a two-part article.)

BLUE IRIS

The deserted golf course glitters in the sun. Sycamores. Squirrels. It's the kind of day you want to leap out of your body. Air. A brilliant bush, tipped now with clear light.

The slender tongues of grass. The clotted lips of stories crumbled and tugged to humus. Dirt of the soft bodies of mothers, work-hardened bodies of mothers, the roots and twisted bodies of fathers. Hands of a dead soldier. You haven't come here for this.

Yes, the long fall of the fine hairs of animals, feathers, bare frames of branches, the hearts of burning stars . . .

A billion years in an instant.

Again, an instant. The start again upward. Particles of moisture beading to silver on the grass. A parched beetle. Red green blue yellow violet tumbling up into cloud under the distant sun.

Then, someone is here. Off a tee. Or stumbling out of the breaking surf or the swilling Ohio. Towelling a kissed face, they crook their knee, or touch your shoulder. There's coffee on the table, a pitcher of blue iris. And the light everywhere around you, as it always is, much or little, is perfect.

—ROBERT DANA

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F R A N C E

ond round," explains BSN-Gervais Dan-one Chairman Antoine Riboud, "so a large part of the right was responsible for electing François Mitterrand."

Giscard has now emerged from political hibernation aiming to inflict a severe defeat to the left in the municipals. His early December meeting with Chirac set the seal on opposition plans to minimize internal battles and present a joint platform. The leadership question is left open until much later. "There is no need to take a decision until 18 months to two years from now," adds a confidant of the former President. Giscard says his aim is to make "the municipals winnable" for the opposition.

Chirac, whose party has 91 seats in the National Assembly, compared with 63 for Giscard's UDF, is not overshadowed by Giscard's resurgence. "His problem is to create a consistent and

credible program that would be a real alternative," says one analyst. Meantime, Raymond Barre, Giscard's last Prime Minister, is a dark horse contender to lead the right.

Inevitable losses

On the left, party strategists are resigned to a loss of ground in the March elections. Socialist Party International Secretary Jacques Huntzinger argues a loss of anything over 30 major cities would be a heavy defeat. Others disagree. "At a loss of 50, we are in real trouble, but 20 to 30 would be quite respectable," adds a leading Socialist.

Mitterrand formed the present Socialist Party in 1972 out of a grab bag of leftist groups "to build a great Socialist Party on the ground occupied by the Communist Party." The 1981 election

pruned the Communists' share of the popular vote to 16%, from a consistent 20% to 22% previously, and halved their National Assembly representation to 44 seats. But there is a growing fear among Mitterrand's advisers that if the Communists are crushed further in the municipals, they will unleash a wave of social unrest through the Communist-led Confédération Générale du Travail, France's largest labor union, to disassociate themselves from Mitterrand.

The Socialists, meantime, have their own internal problems. Parts of the National Assembly group, predominantly teachers and civil servants, have been angered by the moderate shift of government policy. Efforts by the far left to advance into the summer a Socialist Party congress scheduled for fall would mean the Socialist government may be in real trouble.

HOW BUSINESS LIVES WITH SOCIALISM

Higher interest rates and taxes are increasing costs



Two weeks before Christmas, 20,000 managers and owners of medium-size and large French companies met outside Paris to compare sour notes

on the economic policies of François Mitterrand's Socialist regime. They asked the government to reverse new social

charges they claim will add \$15 billion to their costs this year, to renege on its promise to labor unions to shorten the workweek below the current 39 hours, and to increase aid to failing enterprises. One owner who went bankrupt wept, and Finance Minister Jacques Delors proposed that business and government negotiate a social contract to promote employment and labor peace.

The rally reflected business reaction to the election of Mitterrand in May, 1981. Since then, French companies have withheld goods rather than sell them under price controls, executives have demonstrated, and shopkeepers have urged antigovernment violence.

Signs of restiveness abound, but the

A management-led protest by union members is one sign of growing restiveness in France.



F R A N C E

unanswered question is whether French business is worse off than it would have been without Mitterrand. Some say things are no worse—and perhaps even better—than in Germany, Holland, Belgium, and Britain. “People are waiting for something that has not yet happened,” says Jean-Luc Lagardère, chief executive of Matra, the French defense and electronics company that was 51% nationalized. “I’m not that pessimistic, but I’m not that optimistic, either.”

Feeling the pain of recession

Although France is associated with engineering and design feats such as the Concorde, rockets, and high-speed trains, it is a country of small enterprises. Most employment is in family companies with no more than 50 workers. These companies, as much as the big state-dependent—or, now, state-owned—companies, are feeling the pain of recession. Bankruptcies are up a record 70%, but the rate is still much lower than anywhere else in Europe. According to the Conseil National du Patronat Français, the main French employers’ association, more than half of the cost problems faced by business stem from high interest rates and the increased need to borrow, while about 45% of the rise comes from Socialist-imposed tax and benefit charges. The two, of course, go hand in glove. Interest rates are necessarily higher in France than in other European countries because France must attract capital to finance a 1982 balance-of-payments deficit that will be close to \$14 billion. The deficit, in turn, is partly the fault of less competitive French exports, which business blames on new government-imposed charges.

These frustrations have divided the business sector into three main camps:

- The new small-business federation, Syndicat National de la Petite et Moyenne Industrie, is activist. It encourages roadblocks and rail stoppages to get the government’s attention.
- The established employers’ federation, the Patronat, represents the majority of French business and advocates constructive government reforms.
- A third sector includes a handful of strongly pro-Mitterrand executives. The best known are the Riboud brothers—Jean, chairman of Schlumberger Ltd., the oil-field services company, and Antoine, chairman of BSN-Gervais Danone, the food and drink company.

Says Jean: “We are a nation of farmers, and I know the French farmer. If it cannot be very good, it is terrible.” Says Antoine: “If you go around Paris and ask, ‘How is your business?’ you will hear, ‘Bad, very bad.’ If you ask, ‘How

are sales?’ the answer is, ‘Still going up, but it will be bad next year.’”

Unlike the Germans, Belgians, Italians, and Dutch, the French are entering recession late, thanks to a badly timed stimulus program introduced by Mitterrand in 1981. The austerity now on the way will mean lower inflation, but it will also mean a loss of purchasing power, and 80% of French business depends on spending for consumer goods and services. Because of this, real investment fell 8% in 1982. Some surveys show that it will fall less in 1983, but willingness to invest will depend on a declining inflation rate and an undisrupted economy.

To justify last year’s nationalization of

Paris think tank, “Why work if the government is taking your freedom away?”

Most businessmen are watching carefully for signs of change. The government’s wage-control policy—especially its decision to break the link between wage increases and inflation—could begin to offset the profit squeeze late next year. Equally popular among businessmen is the government’s plan to reduce health and old-age benefits promised by the government of Valéry Giscard d’Estaing. Even if these reforms take hold, businessmen worry that bad precedents could be set by government-managed companies because so much large-scale manufacturing is state-owned. “The real



Riboud of BSN-Gervais Danone is one of a handful of strongly pro-Mitterrand executives.

seven companies, including five major industrial groups, officials argue that only government intervention can stop a long, debilitating decline of investment in French industry. The model for change will be the nationalized companies, they say. But many executives think the goals are inconsistent.

Says the chief executive of one large private company: “The basic problem of industry is to collect money to invest. How can you collect money if you don’t have any profits? If something were done on profits, we would be able to collect money to invest from both inside and outside. It is the same money.”

French business decision-making ground to a halt during the Socialists’ first year in office. “For some time we did not know where we were going,” says Albin Chalandon, chief executive of Elf Aquitaine, the state-owned oil company. “There was a lack of motivation among executives in all sorts of companies.” Adds economist Henri Lepage of the Enterprise Institute, a conservative

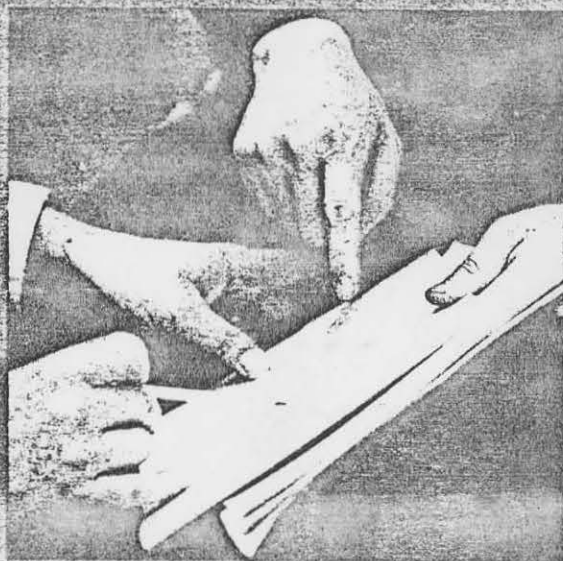
question is whether the French economy can act correctly if it is 50% to 60% nationalized,” says the chief executive of one big company. He says large private employers could not resist following directions set by the nationalized companies if Renault, for instance, grants special concessions to labor.

Still other executives believe it is already impossible, despite Mitterrand’s promises, to keep powerful French civil servants from taking a heavy-handed approach even to well-off nationalized companies. “One of my main activities is trying to resist this trend to intervene in our day-to-day decisions,” says the president of one state-owned company.

This executive, like many others, believes more of his problems come from an unleashed bureaucracy than from Mitterrand, whom he calls a realist. “If he can be the man who turned France into a Socialist success, he will be pleased,” he says. “But if he is confronted by bad times, he will change, because in the end he wants to succeed.”

SCHLUMBERGER

1980 ANNUAL REPORT



To The Shareholders

The first year of the eighties has been a good year, for the Company as a whole and for each of its units.

Net income for the year was \$994 million and \$320 million for the fourth quarter. For the purposes of comparison, these figures are distorted by two items unrelated to the operations: the profit on the sale of Rowan shares and the loss on foreign exchange.

Approximately 5 million shares of the Rowan company were sold in November 1980, with an after-tax profit of almost \$70 million (36 cents per share). Excluding this nonrecurring gain, net income for the year was \$925 million, up 40% from the previous year; net income for the fourth quarter was \$250 million, up 28% from the fourth quarter last year.

The loss on foreign exchange was \$19 million for the full year, and \$10 million for the fourth quarter, mainly due to the appreciation of the dollar vis-a-vis most European currencies. In 1979, exchange losses were, respectively, \$5 and \$4 million for the full year and the last quarter. Unlike the gain on Rowan shares, foreign exchange losses or gains are recurrent. The world does not seem to be heading towards a period of currency stabilization. Currency fluctuations are becoming more extreme and more brutal.

Revenue for the year was \$5.14 billion, up 41% from the previous year. The increase is somewhat misleading, as in 1979 Fairchild revenue was consolidated only as of July 1, the date of acquisition. Excluding Fairchild in both years, revenue increased 33% in 1980. Revenue for the last quarter of 1980 was \$1.46 billion, an increase of 33% over the same quarter of the previous year. Excluding revenue from the sale of Rowan shares, revenue for the quarter increased 24%.

In response to the continued demand for our services and products, and

to prepare our future, we added more to our resources in 1980 than in any previous year.

- **FIXED ASSETS.** Additions to fixed assets were \$748 million in 1980, an increase of 49%. They are budgeted to reach \$1.1 billion in 1981.
- **RESEARCH & ENGINEERING.** R & E expenses increased 43% to \$188 million.
- **MANPOWER.** Almost 2,000 graduate engineers from 70 countries joined Schlumberger in the oil fields, the laboratories and the manufacturing plants. The increasing size and complexity of our Company has caused us to redouble our efforts to improve internal communications and our understanding of the needs and aspirations of our personnel. From January 1, 1980 to March 1, 1981, options to purchase over one million Schlumberger shares were granted to over 900 key people.

All major units of Schlumberger had a good year. Yet, the oilfield services companies had the most spectacular growth as the worldwide surge for more exploration and production of hydrocarbons went unabated.

WIRELINE SERVICES

Wireline services revenue, our traditional logging business, increased 41% worldwide.

In North America, higher crude oil and natural gas prices, hopes that oil prices and even gas prices would be fully decontrolled with the new Administration, have pushed forward drilling activity. By the end of the year, rig count in the U.S. was 3,300, 31% higher than a year before. In Canada, the rate of increase in our activity slowed

somewhat in the fourth quarter due to unfavorable federal legislation before parliament.

Growth of wireline services in the Eastern Hemisphere and South America was slightly higher than in North America. Increased activity was everywhere, offshore and on land. It was particularly noticeable offshore Mexico; in the Middle East, where operations in Saudi Arabia and the Gulf States more than offset the reduced activity in Iraq due to the war with Iran; in the Far East where widespread exploration offshore resumed. Wireline operations started on land in the People's Republic of China at mid-year; they have grown steadily and are now being extended to offshore.

Customers continue to demand the logging services performed by the CSUs, the newest computerized logging unit. During the year, 260 new CSU units were put in service in the field.

DRILLING & PRODUCTION SERVICES

Combined revenue of these units grew 33% in 1980. Forex Neptune, Flopetrol and Dowell Schlumberger (50% owned) had a strong performance.

All offshore drilling rigs of Forex Neptune were active throughout the year. On land, six heavy rigs drilling in Iraq ceased operations temporarily last September. Two jack-up offshore rigs and one self-erecting workover tender were commissioned during the year. Five jack-ups are under construction. They are contracted for by customers for periods of two to four years. We sold the bulk of our equity in the Rowan drilling company because we did not think that it was either possible or desirable to acquire control of the company.

The Measurement While Drilling (MWD) operations run by The Analysts

have been introduced commercially in the Gulf of Mexico and in the North Sea. It is a slow and prudent start.

MEASUREMENT & CONTROL

In Europe, revenue of these units increased 19%. After-tax profits were above 6% of sales, and return on investment was better than 18%. These are the best results recorded in the last ten years; a creditable achievement at a time when the U.K. is facing a severe depression and the European economies are sluggish with capital investments and housing starts at low levels. The best performance was in the product lines related to nuclear energy, electricity management, automatic test equipment, data acquisition and recording. A major effort is underway to introduce solid-state and digital technologies into the mature products of electricity management. The first prototypes of a solid-state residential watt-hour meter are being tested. Three new plants are in the process of being built and will be completed in 1981: one in Lyon, France for nuclear valves, another in Campinas, Brazil for electricity management, and the last one in Dordrecht, Netherlands for gas and water meters.

In North America, Sangamo Weston revenue increased only 9%. The decline of housing starts hurt the sale of residential electricity meters while stiff competition lowered their price. Public utilities have been hesitant to adopt load-management techniques as the growth of demand for electricity is slowing down. Some specialty products, such as modems sold by Rixon, imaging and communications systems sold by Fairchild-Weston Systems to the military, have met with great success.

FAIRCHILD

As was expected, Fairchild took a

somewhat bumpy course during the year.

The Test Systems division lost some of its key people late in 1979. Management of this division was reorganized. Orders for the large test systems were slow for the first half of the year but improved during the second half; orders for the less expensive subassembly and component testers were strong throughout the year.

Semiconductor sales were very strong until the fourth quarter. The order rate started to slow down in the summer. During the last quarter, the typical downturn of this cyclical industry moved in. Cancellation of orders was accompanied for a number of products by sharp price cuts, particularly in the MOS product line. Fourth quarter profits were lower. Although the year recorded strong gains in sales and profits, at year's end the backlog is lower and the outlook for the immediate future is uncertain.

Ups and downs, shortages followed by overcapacity, price cuts and stiff competition is nothing new in this industry. It is built in. Boom periods often tend to hide many shortcomings, to cover many short cuts. Periods of recession can bring long term benefits; the only question is what one does with it.

MDSI

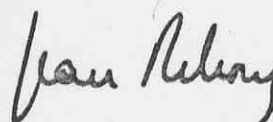
In January 1981, the last step leading to the acquisition by Schlumberger of Manufacturing Data Systems Inc. (MDSI) was completed. This is the entry into the fast growing market of Computer Aided Manufacturing. MDSI has built a very special position, both marketwise and in software capability with the large number of numerically controlled machine tool users. This is the beginning of a fascinating new adventure.

These are the basic facts and figures of 1980. The first indications of 1981 confirm the trends of last year.

- Oilfield Services continue strong.
- Order situation at Measurement & Control-Europe is surprisingly good. However, the impact of the hectic currency fluctuations is unpredictable.
- Outlook at Measurement & Control-North America (Sangamo Weston) is still weak, but not getting any worse.
- At Fairchild, the order position is deteriorating. This is the time to stick to our guns, to maintain the Research & Engineering programs, to improve the manufacturing productivity.

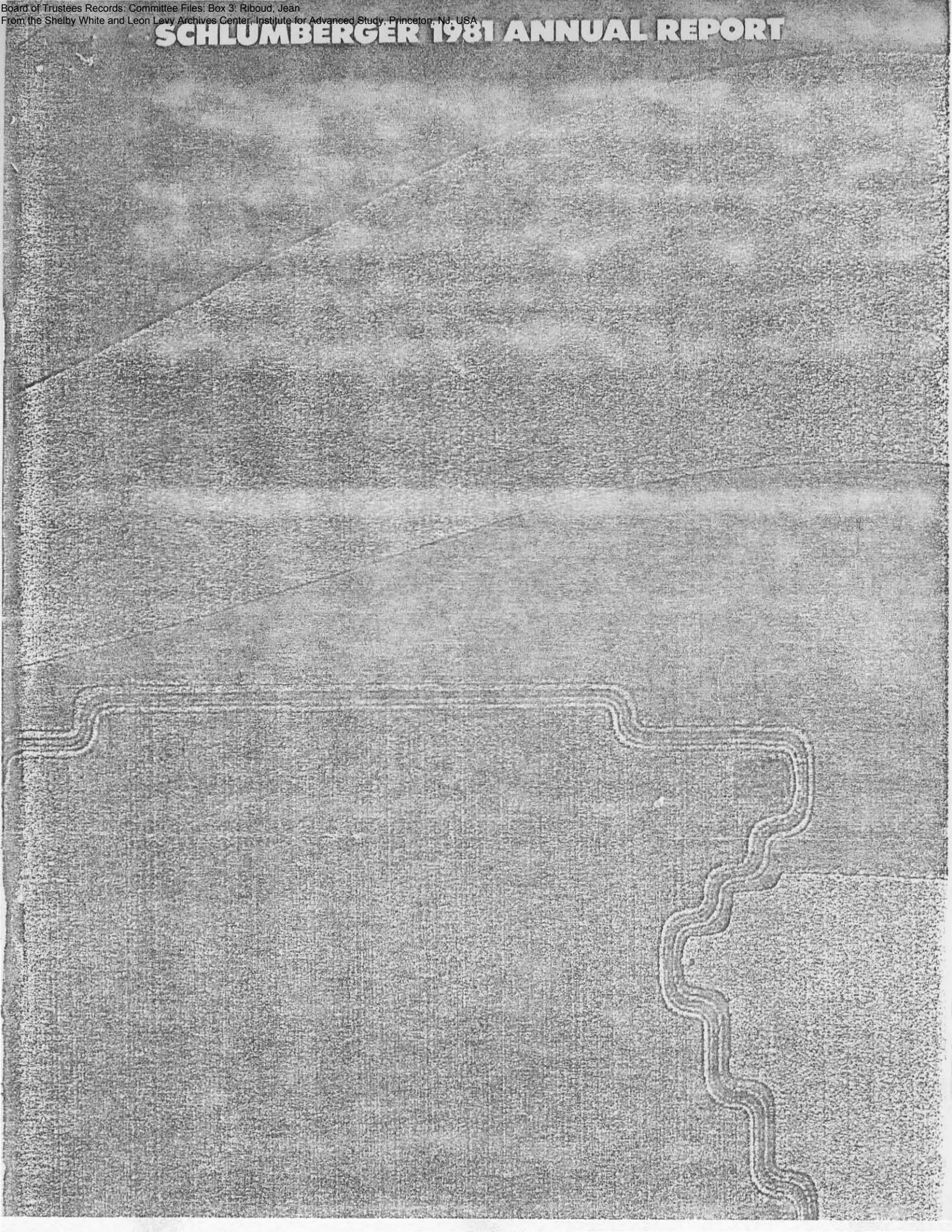
Schlumberger is getting bigger and has plenty of opportunities to grow further. The management has to be strengthened. On February 19, 1981, the Board of Directors elected Michel Vaillaud Executive Vice President-Operations, in charge of Oilfield Services and confirmed Roland Génin as Executive Vice President-Operations, in charge of Measurement, Control & Components. Bernard Alpaerts was appointed as Head of Measurement & Control-Europe, replacing Michel Vaillaud.

February 26, 1981



Jean Riboud
Chairman and President

SCHLUMBERGER 1981 ANNUAL REPORT



In 1981, net income crossed the billion dollar line. Quite a different order of magnitude from the figure I remember when I joined Schlumberger some thirty years ago. Luck, circumstances, hard work, a bit of everything, I suppose, made it happen.

Net income for the year was \$1.27 billion, up 37% over the previous year, if one excludes the nonrecurring profit on the sale of the Rowan shares in the last quarter of 1980. Revenues of almost \$6 billion show an increase of 19%, on a comparable basis.

Quarter by quarter, the year started strong and finished strong. Net income improvement was 42% for the first quarter, 27% for the second, 36% for the third and 44% for the last quarter (excluding the Rowan profit).

As the year unfolded, the fundamental trends did not change appreciably:

Oilfield activity was very strong, throughout the year, throughout the world. Canada was probably the only exception to a global picture of intense exploration and development of gas and oil fields, by national companies as well as by private companies. The wireline, or logging business, had the most spectacular growth but was followed closely by all the other oilfield services.

Fairchild lost money during the year. Not a spectacular amount, but nevertheless lost money. We have to go back quite a few years to see a major unit of Schlumberger in the red. It is not surprising. The semiconductor business is in the doldrums, and yet we accelerated the investment program, the Research & Engineering budget, the strengthening of management.

Measurement & Control units were profitable, although the business environment was affected in the United States by the economic slowdown and in Europe by the wide fluctuations of currencies.

To a lesser extent, two other factors, lower taxes and higher interest income, contributed to this record year. Overall effective tax rate was down 3 points, compared to the previous year. This reduction results from a lower proportion of income from high tax countries and from tax credits in the United States and in the United Kingdom. The second factor is the increased liquidity generating higher interest income. In 1981, fixed assets additions were over a billion dollars, another record. Yet, liquidity increased almost by a quarter of a billion dollars. At year-end, \$1.66 billion were invested in short-term securities.

A stockholder wrote me recently: "The better your results, the higher your earnings, the lower your stock.

Please explain." I am not a stock market expert, nor do I always understand the movements of Wall Street. However, I believe that the public has two main worries concerning the future.

What will happen to the price of crude oil?

What will happen to the economy in the United States?

It is not so long ago that the media were predicting the end of our industrial civilization because the world was running out of oil. Today, the same media are full of the oil glut. There is a very short time lag between too much and too little, between scarcity and surplus. Two years ago, almost to the day, I wrote: "Thirty years in the oil industry have taught me a simple conviction. If you want to find oil, you have to look for it; if you look, you find oil. The search has started and the finds are coming in." So goes the world, in cycles. There is no doubt that the steep and repeated increases in the price of oil have brought about significant discoveries and a noticeable reduction in the demand for hydrocarbons. The slowdown of the world economy has accelerated the process. Will this result in the price of crude oil tumbling down, playing havoc with the cash flow of oil operators and cutting down exploration programs. The risk exists and it scares the stock market. How serious, how threatening is this risk. Obviously, I do not have the answer but years of experience might help.

— At the present world price of oil, drilling for oil in the United States is very profitable. It would take a major drop in price to make it unprofitable.

— Ten years ago, outside North America, the list of our ten top customers were the nine largest publicly held oil companies and one national oil company. Last year, the same list showed nine national oil companies and only one private company. It would take a major decline in the price of crude for the national companies to change drastically their exploration programs. Many countries are fighting for their energy autonomy as they fought for their political independence. They will do it even if there is a temporary surplus of oil.

— Saudi Arabia had a determining role in stabilizing the price of crude when many experts were expecting \$40 or \$50 per barrel. I believe that Saudi Arabia has the means and the will to play the same role when the price is under pressure.

It is always easier to be gregarious. It is always dramatic to announce the most pessimistic scenario. I do not think that the price of crude oil will tumble.

I am more concerned by the state of affairs in the United States than I am about the oil glut. The year 1981 was for many sectors, including our electronic business, a year of organized retrenchment. The downturn was more serious for semiconductors because a price erosion of great amplitude accompanied the reduction in orders and shipments. But there was no fear or panic. In January and February, the climate has changed. Business people are running scared. There is a simple reason. Except for short periods, the United States economy cannot function with rates of interest at 15% or above. Something has to give.

There again, it is a simplification to become a Cassandra. The worst will not happen, neither for the price of crude oil, nor will a major depression entrench itself in the United States. But 1982 will be difficult.

Meanwhile, life goes on. Three developments are currently requiring our efforts and should be reported.

■ The Wireline or logging business is still today our largest and most profitable business (45% of 1981 operating revenue), our fastest growing business (revenue increased worldwide 38% in 1981). We decided last autumn to reorganize our basic Wireline structure. This is the way it was announced:

“The organization of the Wireline has not changed appreciably in the last thirty years. It has grown, it has been decentralized, but the basic structure has not changed: two major centers, Houston and Paris, and one central research lab in Ridgefield, Connecticut.

To meet the growing demand for Wireline services, to decentralize further the field operations, to benefit from the technical and industrial progress outside of Europe and North America, a new center will be established in Japan. This third center, as the two others, will have engineering and manufacturing facilities and will provide technical coordination of field operations.

The new Wireline organization is:

- Wireline North America: the United States and Canada, manufacturing facilities in Houston, engineering facilities in Houston and Austin, Texas,
- Wireline Atlantic: Europe, Latin America and Africa, engineering and manufacturing facilities in Clamart, France,
- Wireline Asia: Middle East, Far East, Australia. Engineering and manufacturing facilities will be established in Japan,
- Schlumberger Doll Research, Ridgefield, Connecticut, responsible for research.”

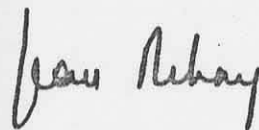
This is an important step for the Wireline. But it has further implications. It represents a pattern of management and structure that we will implement gradually over the next decade for our major product lines: drilling and production services, semiconductors, automatic test equipment, computer aided systems, electricity management.... As we grow, for each major product line or service, a small core of people will provide, on a world basis, direction, long term orientation, coordination of research, financial control.

■ This month, nine Schlumberger men lost their lives when the Ocean Ranger capsized offshore Newfoundland. The oldest was 31 years of age, the youngest was 24. We have known for years that exploration for oil and gas is dangerous. Wells do blow out, offshore units do capsize in tempests. On land, driving is a hazard. Our engineers and operators drive many miles to reach the well sites. They are young, they are enthusiastic, they have no fear. Safety is a remote worry. We are undertaking a major safety campaign.

■ On January 12, 1982, Applicon became part of Schlumberger. Applicon is one of the leading companies in the field of Computer Aided Design—CAD. This follows the acquisition a year earlier of MDSI, a pioneer in the field of Computer Aided Manufacturing—CAM. We are putting both companies under a single management. They will be part of a new Schlumberger unit, called “Computer Aided Systems—CAS”.

The long term future of Schlumberger has not changed. The temporary oil surplus or the recession in the United States economy does not alter our plans. We will be around for years to come as the best oilfield service company. We will put back Fairchild as one of the creative forces in the semiconductor business. We will be innovative and develop new products in the Measurement & Control units. We will be one of the leaders in the Computer Aided Systems technology.

February 26, 1982



Jean Riboud
Chairman and President

Who'

* * *

Schlumberger Names Vaillaud as President And Operating Chief

By a WALL STREET JOURNAL Staff Reporter

NEW YORK — Schlumberger Ltd. selected Michel Vaillaud, 50 years old, as heir apparent to the longtime chief executive officer, Jean Riboud, but modified its retirement policy to provide for the possibility of Mr. Riboud, who just turned 63, continuing to head the company beyond age 65.

Mr. Vaillaud, who was executive vice president in charge of oil-field services, was named president and chief operating officer. Mr. Riboud thus relinquishes the presidency but retains the chairmanship, the title of chief operating officer is newly created. Mr. Riboud has been chief executive since 1965.

At the same time, Schlumberger named Roland Genin, 55, chairman of the executive committee. He will be in charge of long-term strategy for technology, product development and personnel, the company said. Mr. Genin had been executive vice president in charge of the measurement control and parts area. Those businesses will report to Mr. Vaillaud.

In addition, Roy Shourd was named executive vice president responsible for drilling and production services. He was a vice president.

"I don't think anything is changed as long as Riboud is there," said John H. Hayward Jr., a vice president at Merrill Lynch, Pierce, Fenner & Smith Inc. "But it helps define the succession." Mr. Hayward said that, at 50, Mr. Vaillaud may be the perfect age to become Mr. Riboud's heir apparent. That is because Mr. Riboud may want to give his successor a long period at the helm, as he had.

A Schlumberger spokesman declined comment on details of how the board modified the retirement policy except to say that it permits Mr. Riboud to continue in his current position after age 65.

* * *

Schlumberger Appoints Two Top Executives

NYT 12/10/82

Schlumberger Ltd., a leading company in worldwide oilfield services, has named Michel Vaillaud president and chief operating officer and Roland Génin chairman of the executive committee.

Mr. Vaillaud, 50, will be responsible for operations and Mr. Génin, 55, for long-term strategy in technology, product development and personnel.

Both will report to Jean Riboud, 63, chairman and chief executive, who relinquished the title of president to Mr. Vaillaud.

The board also changed the company's retirement policy to allow for the possibility of Mr. Riboud continuing in his posts beyond the normal retirement age of 65.

Schlumberger, based in Paris and New York, is the dominant company in well logging, or wireline, services. In 1927, two French brothers, Conrad and Marcel Schlumberger, invented the process of measuring the electrical resistance underground in rock formations to get a picture of the geology. Now logging is the standard test after a well is drilled.

The company in recent years has diversified into electronic and computer technology, acquiring Fairchild Camera and Instrument, Manufacturing

Data Systems Inc. and Applicon Inc. Last year, its revenues reached \$5.7 billion.

Schlumberger's stock traded as high as \$37 on the New York Stock Exchange late in 1980, but it moved steadily lower throughout 1981 and continued to drop through last August, hitting a low of \$30. Since then, it has moved up, closing yesterday at \$43.50, up 50 cents.

Mr. Vaillaud, a graduate of Polytechnique in France with a degree in mining and petroleum engineering, joined Schlumberger in 1973 as vice president to coordinate the company's measurement operations in the United States. He held governmental positions in France before joining Schlumberger.

Mr. Génin joined the company in 1950 as a wireline field operator and worked in Venezuela, Chile and Indonesia. In 1970 he was named vice president and manager of all the company's oilfield operations in the Eastern Hemisphere. In 1981 he became responsible for the company's measurement, control and components operations worldwide. He is an engineering graduate of Arts et Métiers in France.

Riboud

bcc. Dr. Labalme

October 26, 1982

Mr. James D. Wolfensohn
425 Park Avenue
New York, New York 10022

Dear Jim:

I am writing to let you know that the Board at its meeting the other day approved your recommendation of Jean Riboud as a candidate for election to the Board. The next step is for me to meet with him and have about an hour or so of his time to discuss the Institute and its future, and to see what understanding may develop between us.

I look forward to hearing from you or Sarah on the follow-up.

Cordially yours,

Harry Woolf

cc. Sarah Weddington

JAMES D. WOLFENSOHN
INCORPORATED

425 PARK AVENUE
NEW YORK, NEW YORK 10022

PHONE: (212) 909-8100
TELEX: 661830

October 14, 1982

Mr. Harry Woolf
Director
The Institute for Advanced Study
Princeton, NJ 08540

Dear Harry:

I wanted to send a brief note to let you know of my conversation with Jim this morning to follow-up on our phone conversation.

Jim said he would be happy to talk to Jean Riboud to explore whether he could be interested in serving with the Institute and to "introduce you", but he would prefer not to make that call until you check with the other board members as you mentioned you were in the process of doing.

When that process is completed and you know whether or not you want an invitation extended, just leave word with Emily or me, and Jim will follow-up.

Best,


Sarah Weddington

SW:fs

JAMES D. WOLFENSOHN
INCORPORATED

425 PARK AVENUE
NEW YORK, NEW YORK 10022

PHONE: (212) 909-8100
TELEX: 661830

October 13, 1982

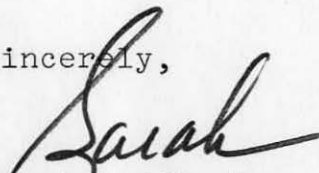
Mr. Harry Woolf
Director
The Institute for Advanced Study
Princeton, NJ 08540

Dear Harry:

It was a pleasure to visit by phone today. I'm enclosing the two items I referred to.

I've done the memo to Jim we discussed.

Sincerely,



Sarah Weddington

SW:fs

Enclosures

S C H L U M B E R G E R

1980 ANNUAL REPORT



To The Shareholders

The first year of the eighties has been a good year, for the Company as a whole and for each of its units.

Net income for the year was \$994 million and \$320 million for the fourth quarter. For the purposes of comparison, these figures are distorted by two items unrelated to the operations: the profit on the sale of Rowan shares and the loss on foreign exchange.

Approximately 5 million shares of the Rowan company were sold in November 1980, with an after-tax profit of almost \$70 million (36 cents per share). Excluding this nonrecurring gain, net income for the year was \$925 million, up 40% from the previous year; net income for the fourth quarter was \$250 million, up 28% from the fourth quarter last year.

The loss on foreign exchange was \$19 million for the full year, and \$10 million for the fourth quarter, mainly due to the appreciation of the dollar vis-a-vis most European currencies. In 1979, exchange losses were, respectively, \$5 and \$4 million for the full year and the last quarter. Unlike the gain on Rowan shares, foreign exchange losses or gains are recurrent. The world does not seem to be heading towards a period of currency stabilization. Currency fluctuations are becoming more extreme and more brutal.

Revenue for the year was \$5.14 billion, up 41% from the previous year. The increase is somewhat misleading, as in 1979 Fairchild revenue was consolidated only as of July 1, the date of acquisition. Excluding Fairchild in both years, revenue increased 33% in 1980. Revenue for the last quarter of 1980 was \$1.46 billion, an increase of 33% over the same quarter of the previous year. Excluding revenue from the sale of Rowan shares, revenue for the quarter increased 24%.

In response to the continued demand for our services and products, and

to prepare our future, we added more to our resources in 1980 than in any previous year.

- **FIXED ASSETS.** Additions to fixed assets were \$748 million in 1980, an increase of 49%. They are budgeted to reach \$1.1 billion in 1981.
- **RESEARCH & ENGINEERING.** R & E expenses increased 43% to \$188 million.
- **MANPOWER.** Almost 2,000 graduate engineers from 70 countries joined Schlumberger in the oil fields, the laboratories and the manufacturing plants. The increasing size and complexity of our Company has caused us to redouble our efforts to improve internal communications and our understanding of the needs and aspirations of our personnel. From January 1, 1980 to March 1, 1981, options to purchase over one million Schlumberger shares were granted to over 900 key people.

All major units of Schlumberger had a good year. Yet, the oilfield services companies had the most spectacular growth as the worldwide surge for more exploration and production of hydrocarbons went unabated.

WIRELINE SERVICES

Wireline services revenue, our traditional logging business, increased 41% worldwide.

In North America, higher crude oil and natural gas prices, hopes that oil prices and even gas prices would be fully decontrolled with the new Administration, have pushed forward drilling activity. By the end of the year, rig count in the U.S. was 3,300, 31% higher than a year before. In Canada, the rate of increase in our activity slowed

somewhat in the fourth quarter due to unfavorable federal legislation before parliament.

Growth of wireline services in the Eastern Hemisphere and South America was slightly higher than in North America. Increased activity was everywhere, offshore and on land. It was particularly noticeable offshore Mexico; in the Middle East, where operations in Saudi Arabia and the Gulf States more than offset the reduced activity in Iraq due to the war with Iran; in the Far East where widespread exploration offshore resumed. Wireline operations started on land in the People's Republic of China at mid-year; they have grown steadily and are now being extended to offshore.

Customers continue to demand the logging services performed by the CSUs, the newest computerized logging unit. During the year, 260 new CSU units were put in service in the field.

DRILLING & PRODUCTION SERVICES

Combined revenue of these units grew 33% in 1980. Forex Neptune, Flopetrol and Dowell Schlumberger (50% owned) had a strong performance.

All offshore drilling rigs of Forex Neptune were active throughout the year. On land, six heavy rigs drilling in Iraq ceased operations temporarily last September. Two jack-up offshore rigs and one self-erecting workover tender were commissioned during the year. Five jack-ups are under construction. They are contracted for by customers for periods of two to four years. We sold the bulk of our equity in the Rowan drilling company because we did not think that it was either possible or desirable to acquire control of the company.

The Measurement While Drilling (MWD) operations run by The Analysts

have been introduced commercially in the Gulf of Mexico and in the North Sea. It is a slow and prudent start.

MEASUREMENT & CONTROL

In Europe, revenue of these units increased 19%. After-tax profits were above 6% of sales, and return on investment was better than 18%. These are the best results recorded in the last ten years; a creditable achievement at a time when the U.K. is facing a severe depression and the European economies are sluggish with capital investments and housing starts at low levels. The best performance was in the product lines related to nuclear energy, electricity management, automatic test equipment, data acquisition and recording. A major effort is underway to introduce solid-state and digital technologies into the mature products of electricity management. The first prototypes of a solid-state residential watt-hour meter are being tested. Three new plants are in the process of being built and will be completed in 1981: one in Lyon, France for nuclear valves, another in Campinas, Brazil for electricity management, and the last one in Dordrecht, Netherlands for gas and water meters.

In North America, Sangamo Weston revenue increased only 9%. The decline of housing starts hurt the sale of residential electricity meters while stiff competition lowered their price. Public utilities have been hesitant to adopt load-management techniques as the growth of demand for electricity is slowing down. Some specialty products, such as modems sold by Rixon, imaging and communications systems sold by Fairchild-Weston Systems to the military, have met with great success.

FAIRCHILD

As was expected, Fairchild took a

somewhat bumpy course during the year.

The Test Systems division lost some of its key people late in 1979. Management of this division was reorganized. Orders for the large test systems were slow for the first half of the year but improved during the second half; orders for the less expensive subassembly and component testers were strong throughout the year.

Semiconductor sales were very strong until the fourth quarter. The order rate started to slow down in the summer. During the last quarter, the typical downturn of this cyclical industry moved in. Cancellation of orders was accompanied for a number of products by sharp price cuts, particularly in the MOS product line. Fourth quarter profits were lower. Although the year recorded strong gains in sales and profits, at year's end the backlog is lower and the outlook for the immediate future is uncertain.

Ups and downs, shortages followed by overcapacity, price cuts and stiff competition is nothing new in this industry. It is built in. Boom periods often tend to hide many shortcomings, to cover many short cuts. Periods of recession can bring long term benefits; the only question is what one does with it.

MDSI

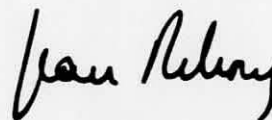
In January 1981, the last step leading to the acquisition by Schlumberger of Manufacturing Data Systems Inc. (MDSI) was completed. This is the entry into the fast growing market of Computer Aided Manufacturing. MDSI has built a very special position, both marketwise and in software capability with the large number of numerically controlled machine tool users. This is the beginning of a fascinating new adventure.

These are the basic facts and figures of 1980. The first indications of 1981 confirm the trends of last year.

- Oilfield Services continue strong.
- Order situation at Measurement & Control-Europe is surprisingly good. However, the impact of the hectic currency fluctuations is unpredictable.
- Outlook at Measurement & Control-North America (Sangamo Weston) is still weak, but not getting any worse.
- At Fairchild, the order position is deteriorating. This is the time to stick to our guns, to maintain the Research & Engineering programs, to improve the manufacturing productivity.

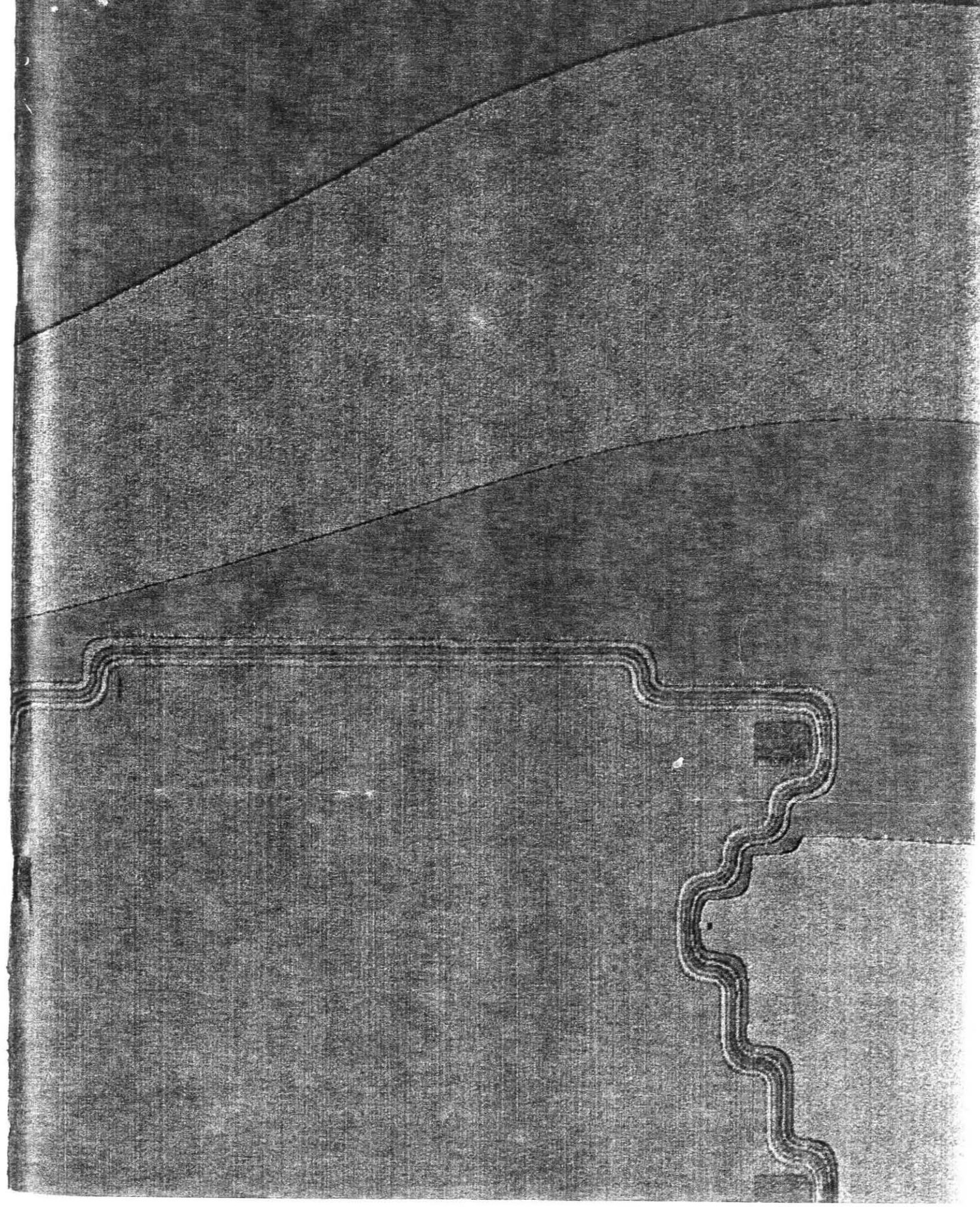
Schlumberger is getting bigger and has plenty of opportunities to grow further. The management has to be strengthened. On February 19, 1981, the Board of Directors elected Michel Vaillaud Executive Vice President-Operations, in charge of Oilfield Services and confirmed Roland Génin as Executive Vice President-Operations, in charge of Measurement, Control & Components. Bernard Alpaerts was appointed as Head of Measurement & Control-Europe, replacing Michel Vaillaud.

February 26, 1981



Jean Riboud
Chairman and President

SCHLUMBERGER 1981 ANNUAL REPORT



In 1981, net income crossed the billion dollar line. Quite a different order of magnitude from the figure I remember when I joined Schlumberger some thirty years ago. Luck, circumstances, hard work, a bit of everything, I suppose, made it happen.

Net income for the year was \$1.27 billion, up 37% over the previous year, if one excludes the nonrecurring profit on the sale of the Rowan shares in the last quarter of 1980. Revenues of almost \$6 billion show an increase of 19%, on a comparable basis.

Quarter by quarter, the year started strong and finished strong. Net income improvement was 42% for the first quarter, 27% for the second, 36% for the third and 44% for the last quarter (excluding the Rowan profit).

As the year unfolded, the fundamental trends did not change appreciably.

Oilfield activity was very strong, throughout the year, throughout the world. Canada was probably the only exception to a global picture of intense exploration and development of gas and oil fields, by national companies as well as by private companies. The wireline, or logging business, had the most spectacular growth but was followed closely by all the other oilfield services.

Fairchild lost money during the year. Not a spectacular amount, but nevertheless lost money. We have to go back quite a few years to see a major unit of Schlumberger in the red. It is not surprising. The semiconductor business is in the doldrums, and yet we accelerated the investment program, the Research & Engineering budget, the strengthening of management.

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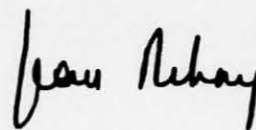
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February 26, 1982



Jean Riboud
Chairman and President

NAL WHO'S WHO

46th ed, 1982-83, p. 1107

RIC

RIBOUD, Jean; French industrialist; b. 15 Nov. 1919, Lyons; s. of Camille Riboud and Hélène (née Frachon); brother of Antoine Riboud (q.v.); m. Krishna Roy 1949; one s.; ed. Faculté de Droit, Paris, and Ecole des Sciences Politiques; Dir. of Schlumberger Ltd. (oil drillings, instruments, electronics) 1956-, Pres. and Chief Exec. Officer, Chair. 1965-; Dir.-Gen. Soc. de Prospection Electrique Schlumberger 1957-65; Dir. Cie financière de Paris et des Pays-Bas 1971-, Cie. Luxembourgeoise de Télédiffusion. *Address*: 42 rue Saint Dominique, 75007 Paris, France.

NAL WHO'S WHO 46th ed, 1992-83, p. 1108 RIC

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By a WALL STREET JOURNAL Staff Reporter

NEW YORK — Schlumberger Ltd. selected Michel Vaillaud, 50 years old, as heir apparent to the longtime chief executive officer, Jean Riboud, but modified its retirement policy to provide for the possibility of Mr. Riboud, who just turned 63, continuing to head the company beyond age 65.

Mr. Vaillaud, who was executive vice president in charge of oil-field services, was named president and chief operating officer. Mr. Riboud thus relinquishes the presidency but retains the chairmanship, the title of chief operating officer is newly created. Mr. Riboud has been chief executive since 1965.

At the same time, Schlumberger named Roland Genin, 55, chairman of the executive committee. He will be in charge of long-term strategy for technology, product development and personnel, the company said. Mr. Genin had been executive vice president in charge of the measurement control and parts area. Those businesses will report to Mr. Vaillaud.

In addition, Roy Shourd was named executive vice president responsible for drilling and production services. He was a vice president.

"I don't think anything is changed as long as Riboud is there," said John H. Hayward Jr., a vice president at Merrill Lynch, Pierce, Fenner & Smith Inc. "But it helps define the succession." Mr. Hayward said that, at 50, Mr. Vaillaud may be the perfect age to become Mr. Riboud's heir apparent. That is because Mr. Riboud may want to give his successor a long period at the helm, as he had.

A Schlumberger spokesman declined comment on details of how the board modified the retirement policy except to say that it permits Mr. Riboud to continue in his current position after age 65.

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Schlumberger Appoints Two Top Executives

NYT 12/10/82

Schlumberger Ltd., a leading company in worldwide oilfield services, has named Michel Vaillaud president and chief operating officer and Roland Génin chairman of the executive committee.

Mr. Vaillaud, 50, will be responsible for operations and Mr. Génin, 55, for long-term strategy in technology, product development and personnel.

Both will report to Jean Riboud, 63, chairman and chief executive, who relinquished the title of president to Mr. Vaillaud.

The board also changed the company's retirement policy to allow for the possibility of Mr. Riboud continuing in his posts beyond the normal retirement age of 65.

Schlumberger, based in Paris and New York, is the dominant company in well logging, or wireline, services. In 1927, two French brothers, Conrad and Marcel Schlumberger, invented the process of measuring the electrical resistance underground in rock formations to get a picture of the geology. Now logging is the standard test after a well is drilled.

The company in recent years has diversified into electronic and computer technology, acquiring Fairchild Camera and Instrument, Manufacturing

Data Systems Inc. and Applicon Inc. Last year, its revenues reached \$5.7 billion.

Schlumberger's stock traded as high as \$87 on the New York Stock Exchange late in 1980, but it moved steadily lower throughout 1981 and continued to drop through last August, hitting a low of \$30. Since then, it has moved up, closing yesterday at \$43.50, up 50 cents.

Mr. Vaillaud, a graduate of Polytechnique in France with a degree in mining and petroleum engineering, joined Schlumberger in 1973 as vice president to coordinate the company's measurement operations in the United States. He held governmental positions in France before joining Schlumberger.

Mr. Génin joined the company in 1950 as a wireline field operator and worked in Venezuela, Chile and Indonesia. In 1970 he was named vice president and manager of all the company's oilfield operations in the Eastern Hemisphere. In 1981 he became responsible for the company's measurement, control and components operations worldwide. He is an engineering graduate of Arts et Métiers in France.