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**Pierre Ducros: Businessman and
Mentor**

by

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Pierre Ducros: Businessman and Mentor¹

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Abstract

“The manager’s job is to develop the business. He must be able to manage the four business functions in a balanced way.” But Pierre Ducros has not always had such a clear perception of business management. The case describes his progress from businessman to mentor.

INTRODUCTION

“The manager’s job is to develop the business. He must be able to manage the four business functions in a balanced way. Ideally, no single function – human resources, products and services, marketing and sales, or finance and financing – should take resources away from the other functions.”

Pierre Ducros, 2001

Pierre Ducros has not always had such a clear vision of business management. Even at a young age, though, he knew he would have to work hard and take on responsibility if he was to make his way in the world. He had average grades at high school, and after graduating decided to continue his education, first at the Royal Military College in Saint-Jean, Québec, for two years, then for a further two years at the Royal Military College in Kingston, Ontario, and finally at McGill University in Montreal.

His time in the military colleges gave Pierre Ducros not only the education he dreamed of, but also an opportunity to travel. Part of his time in the Navy was spent stationed on the Pacific coast.

Did he intend to pursue a career in the Navy? He certainly thought about it, but circumstances pointed him in another direction. After qualifying as a communications engineer, he returned to civilian life, where his home port for nine years was at IBM, from 1964 to 1973.

Pierre Ducros was hired by IBM as a sales representative. In fact, all his jobs have been connected with the sale or marketing of information technologies. However, the years at IBM were not just about work; they were also about the longstanding friendship that sprang up between Ducros and Alain Roy. They first met as students at the Military College in Saint-Jean, and followed similar paths after 1956. After leaving the College they both went to McGill University and then joined the Navy.

As they pursued their separate activities, Alain Roy and Pierre Ducros used to meet regularly with Serge Meilleur, IBM’s Manufacturing and Distribution Manager, who was quick to note that the two men had developed complementary expertise. The idea of launching a business began to germinate in late December 1972, and the three men got together for several weekends in January and February of 1973. The company they set up on February 26, 1973, was called DMR (Ducros, Meilleur, Roy) and was destined to become the largest information systems service provider in Canada.

What did DMR offer its customers? “Basic consulting services for the information systems managers of large corporations or the managers of smaller businesses²”. How many customers did

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it have to start with? One – the National Bank of Canada. Others would soon follow, however. The company began to get organized; although the position of company president was decided on the toss of a coin, the responsibilities of each member matched their specific personal skills.

The DMR adventure lasted twenty years, ending only with the death of Alain Roy in 1994. Since Serge Meilleur had sold his holding in 1986, Pierre Ducros found himself alone after the death of his friend, and no longer enjoyed his work as much. In addition, financing and developing a company the size of DMR – with 3,500 employees and offices around the world – was becoming increasingly difficult. A small market such as Québec could not provide sufficient access to capital, and the time had come to form an alliance or perhaps sell the company and set off in a new direction.

Since leaving DMR, Pierre Ducros has been theoretically retired, but he is not someone who likes to remain idle. He still sits on the board of directors of several large corporations, and has decided to “give something back to society” by becoming involved as a volunteer in education, health care and the arts. Putting his extensive business experience to good use, he has also become the mentor of several young entrepreneurs in the technology sector. More recently, he has begun to invest in small businesses that he considers promising.

This case study describes the experience of Pierre Ducros, and examines his new career as an advisor to up-and-coming entrepreneurs.

AN UNUSUAL EDUCATION FOR SOMEONE FROM HIS BACKGROUND

Pierre Ducros was born in Montreal on April 1, 1939, just before the outbreak of World War II. He has no memory of the war, but the post-war years, along with the relations his father – a French national – maintained with the French community in Montreal, remain clear in his mind:

It was wonderful! Everyone stuck together. I’ve always thought French people know how to enjoy themselves better than French Canadians. The *Union nationale française* used to organize parties with wine... I suppose these were people who were suffering because of the awful events they had lived through in France. When they arrived here, they experienced a sort of moral release... For a young person born in Canada, it was fascinating. I have a lot of respect for these people.

François Ducros, Pierre’s father, was 28 when he arrived in Québec in 1933. Originally from Saint-Étienne, near Lyon, he had completed a liberal education. He qualified in law and pharmacy, and took post-graduate courses in business. Why did he decide to move overseas? “He was sent over by the French laboratory firm Jean Olive, his partner, to see how the Canadian market was developing,” his son recalls. As soon as he arrived in Montreal, he became involved in the French ex-patriot community, becoming president of the French Chamber of Commerce, then of *L’Alliance française*, and lastly of *L’Union nationale française*. He also founded the French Pharmaceutical Corporation.

On his mother’s side, Françoise Minville, the future Madame Ducros, came from Montmagny, close to Québec City. The eldest in a French Canadian family of 16 children, her son describes her as “a good French Canadian, basically self-taught. She used to read and write a lot, but did not pursue a professional career.”

Beyond a father who started his own business and an intellectually-minded mother, however, there was not much entrepreneurship in the Ducros family. François Ducros had two uncles who were priests. Although his family was not especially entrepreneurial, could Pierre Ducros still become an entrepreneur? Perhaps, but not in the family business, which was

... a fairly interesting model, but one that I felt no affinity for. I worked there for one summer as a 16-year-old student. I got bored typing addresses on envelopes to the 2,000 pharmacists with whom my father did business.

The children grew up in cramped conditions in the Ducros family home. Pierre, the fourth of five children, recalls his childhood:

I lived the first part of my childhood in the working-class Snowdon neighbourhood of Montreal, on Colbrook Street. We were certainly not wealthy! The four oldest children slept in bunk beds in the same bedroom. The two other bedrooms were for my parents and for my grandmother. When my little sister was born, we had to move. I was seven when we moved to the neighbouring Notre-Dame-de-Grace neighbourhood. Life wasn't easy – my father lived according to the old bourgeois rules of Lyon, but in a completely different setting. On Sundays, the children ate with their parents in the dining room from 1 p.m. to 5 p.m. but were forbidden to speak. We ate our other meals in the kitchen with the maid.

Pierre Ducros went through elementary school without really realizing it, since he jumped from grade 4 to grade 7, where he was placed in the *Éléments français* course to master French before entering high school. How could a nine-year-old boy skip two whole school years? Father Fernique, the director of the Stanislas College, on Dollard Street in Outremont, was a friend of François Ducros. The fact that he was enrolled at the Stanislas College also meant that Pierre Ducros followed the French curriculum set by the French Minister of Education. In the early 1950s, the classical cursus focused on the humanities, such as History and French, but neglected the sciences, such as Mathematics and Physics (see Appendix 1).

Often at the bottom of his class because he “didn't like school and didn't understand anything,” Pierre Ducros was 14 when he decided to concentrate on his studies and become top of his class. Even though the lack of family cohesion had forced him to rely very much on his own resources from the age of 11, it was the accidental death of his mother that made him realize he would have to leave home in the short term and lead his own life.

In his last year of high school, working towards the French *Baccalauréat* examination, the teenage Pierre Ducros was struck by what he learned in his philosophy class:

The post-war years saw the emergence of existentialism and communism. For the first half of the school year, the Philosophy course taught us how to be communists; for the second half, the brainwashing process was reversed and we were introduced to existentialism. The main focus was on the history of philosophy rather than on the actual philosophy of Saint Thomas of Aquinas, for example, which we skimmed over in 45 minutes.

The education Pierre Ducros had received at the Stanislas College, and his familiarity with the French community in Montreal, opened up opportunities that were probably not shared by his classmates. In May 1956, he was 17 years old and had completed high school. It was time to face the future. He left home and went to study at the military college in Saint-Jean, about an hour outside Montreal. Why enrol in a military college, and why in a science program? “It was free,” Pierre Ducros points out. “I chose science because I wanted to understand. When I left Stanislas, I didn't know what electromagnetism was.”

In addition to his fascination with the subject, though, the young Pierre Ducros was attracted by the academic atmosphere. In the late 1950s, Canada's three military colleges attracted outstanding teachers by offering high rates of pay and exceptionally well-equipped laboratory space. Each week's activities included 40 hours of classes, eight hours per day, plus 40 hours devoted to military and sporting activities. In addition, the students had several hours of homework to complete. There was little time left for recreation; one weekend per term, and four days off for Christmas. The students worked hard, but then were able to choose a specific branch of military training. Pierre Ducros chose the Navy and the Canadian west coast, “so that I could travel. For four summers [two during his time at Saint-Jean and two at Kingston], I spent time on cruisers and destroyers in the Pacific Ocean.”

Since the military colleges did not offer university-level qualifications, Pierre Ducros completed a fifth year of studies in engineering at McGill University. In 1961, at the age of 22, he graduated with a degree in telecommunications engineering. This highly practical, down-to-earth

qualification allowed him to work as an electronics engineer on board ships, which he did for three years. His free schooling had to be paid for by a commitment to work for the Canadian military.

Pierre Ducros was stationed in Western Canada for the next three years, on a military ship. His work as a professional diver involved protecting the ship. He describes his experience as follows:

The objective was not deep diving, but instead to learn to defuse mines and play around with explosives. I don't know why I chose this extremely dangerous job. I wasn't diving into a pool, but into the ocean. I've dived under ice, I've done the stupidest things with explosives... simulated attacks... I've probably only dived twice in my life since then for pleasure.

In the early 1960s, the Canadian Armed Forces combined the three services, and then set up the *General Purpose Officer* program as an antidote to specialization, since until then each destroyer had to carry 14 specialized officers. Under the new, broader approach, the officers did less specialized technical training and were able to perform the duties of all 14 specialized positions.

Two officer's diplomas known as *Watch Keeping Tickets* were awarded to the officers who completed the training. The navigator's ticket qualified the officers to operate the ship, and the engineer's ticket qualified them to operate the ship's turbines and mechanical systems. Pierre Ducros obtained both tickets.

When his three years were up, Pierre Ducros wanted to continue his studies at a higher level at Berkeley in the Western United States. The Master's level program *Naval Architecture and Marine Engineering* was offered annually, but the Canadian Armed Forces were only entitled to enrol two officers per year, one from the East Coast and one from the West Coast. Pierre Ducros became the first Navy officer to turn down an opportunity to enrol in a free course in a well-known university. Why?

Before I turned down the course, I talked to an older French Canadian officer in Victoria, who had already graduated from the same program. He said, "Look at what I'm doing now, I'm replacing the floor in a ship's galley! Ships and submarines are just not being built in Canada these days. All that training got me nowhere!" If I accepted the offer, I had to stay in the Armed Forces for five years. I added it up, five years of classes, three years of service, two years at university, another five years of service, making 15 years with the Armed Forces. You retire after 20 years! I was heading nowhere. The work is very repetitive. You train young recruits for three months on board a ship. Then another group comes along to replace them. I saw I had no future there, so I left."

THE RETURN TO CIVILIAN LIFE AND COMPUTING

Pierre Ducros returned to civilian life with a highly diversified education. He had grown up with roots in two cultures – French Canadian and French. He had experienced British culture in the Canadian Navy, and had enough faith in his own abilities to express an opinion when his superior officers wanted to take advantage of his background. In addition, as he points out, he sees this trait as being characteristic of an entrepreneur.

The time spent in military colleges had also instilled discipline, an interest in sport and, above all, an appetite for work. He got up each morning at 6 o'clock, and he was never in bed before midnight. On the other hand, he was concerned that he had no outlet for his creativity. As he points out,

The Armed Forces don't expect cannon fodder to think! Only generals and admirals are supposed to have anything to say! I think it's fair to say that 99% of the system in the Armed Forces is intended to make you toe the line, and there's no room for leadership.

During his years of training, Pierre Ducros had also developed strong friendships, both at the Stanislas College and in the Armed Forces. In 1956, he met fellow student Alain Roy at the

military college, and they were together at McGill University and on board ship before becoming business partners.

In January 1964, Pierre Ducros was spoiled for choice – many different companies were looking out for military college graduates. He contacted Bell and IBM, and chose IBM for two reasons:

IBM called all military college graduates. I had written back to say I had to serve the Crown for three years, but would contact them at the end of that period. IBM made a good impression on me. I was interested in computers, and I was more interested in working with computers than in communications. Computers were in their infancy – they were just big electro-mechanical devices at the time.

On February 1, 1964, Pierre Ducros began work at IBM. The more technically-minded Alain Roy joined him two weeks later. Thus, they found themselves together once again, this time in Montreal.

Back in 1964, IBM was a medium-sized business with turnover of less than \$100 million. Pierre Ducros was assigned to the Montreal office as a sales representative; some time later, he became marketing director for the financial and insurance sectors. His customers were banks, insurance companies and securities brokers. He went on to work for two years in Toronto, where he was in charge of the financial and insurance sectors for the whole of Canada. He was then appointed to the Québec City commercial office, where his customers were insurance companies and the Desjardins co-operative movement, among others.

Pierre Ducros spent nine years at IBM, from 1964 to 1973, and found his time there “extremely interesting”. While he headed the commercial agency in Québec City, Alain Roy headed the company’s government and public services in Montreal, with a range of customers including Air Canada, Canadian National and Canadian Pacific. Agency directors, whether in Québec or Canada, used to meet regularly, and in 1965, when he began to work for IBM, the two friends met Serge Meilleur, who headed the manufacturing and distribution office in the southern Québec town of Sherbrooke, near the United States border.

Of the three, Serge Meilleur had the most traditional background. He graduated as an engineer from École Polytechnique (the University of Montreal engineering school), and had never lived outside Québec. He did not have the national or international experience of Pierre Ducros or Alain Roy, whose wife was a native of Hungary. Serge Meilleur was well established in his field, though, and worked with major customers such as Bombardier.

Over the years, the three men attended many meetings together and got to know one other very well. They also had in-depth knowledge of the local market, as well as expertise in complementary fields, a fact that Serge Meilleur soon noticed. He was the first to raise the possibility of a partnership with Alain Roy. In late 1972, they spoke to Pierre Ducros.

DMR – DUCROS, MEILLEUR, ROY – THE PROJECT OF A LIFETIME³

On December 20, 1972, Pierre Ducros and Alain Roy decided to think about Serge Meilleur’s partnership proposal. The three men waited until after Christmas and got together in Drummondville, halfway between Montreal – where Alain Roy lived and where Serge Meilleur had just moved – and Québec City, where Pierre Ducros had settled. Every Saturday, they spent many hours at the Trois Pignons hotel to try to “find a way of making the concept work”. At last, on February 26, 1973, Pierre Ducros, Serge Meilleur and Alain Roy set up their business (without a shareholders’ agreement) and resigned from IBM. Pierre Ducros moved to Montreal. He comments as follows on the early days of their business:

DMR was set up without a clear idea of where it was going, and without a market survey, because the market did not exist. We founded DMR for two reasons. First, we thought there

was an opportunity. The positive aspect of our decision, perhaps 85% to 90% of the decision, was to say that we could at least try to do something. Each of us approached one customer. They all said the same thing: “We like you, but you’re working for IBM. As soon as you’re out, we’ll talk to you!” Our attitude was, “If it doesn’t work out, we’ll just find another job. There’s plenty of demand for an IBM office manager!” There was clearly a “now’s the time to jump!” aspect.

For Pierre Ducros, however, it was just as important to look at the drawbacks:

The negative aspects, around 10% to 15% of the decision, were that the longer we worked at IBM, the less we enjoyed the job. This is a significant element in entrepreneurship. IBM sales staff were completely free. At the beginning of the year, you negotiated a sales quota. As long as you kept up with your monthly objectives, no-one bothered you. My territory was the banks and insurance companies on Saint-Jacques street. In 1964, the main financial institutions were in Montreal and not in Toronto. I had an incredible market! This was one of the periods I enjoyed the most.

When I was placed in charge of all the salespeople in my market, I started to have more contact with the IBM senior staff. I ran into office politics and bureaucracy. Eighty percent of my time was spent on office business, and 20% on my actual customers. This was not what I wanted. IBM liked people who had been educated in English, because they fitted the mould. These were the people they were looking for to take charge of their business. We [Pierre Ducros and Alain Roy] decided that the bureaucracy and politics involved in managing a large corporation were not really what we were looking for.

FOLLOWING THE ACCOUNTANT’S ADVICE

Although they did not have an actual shareholders’ agreement, each partner had one-third of the shares in the business. The tiny office they occupied on Floor D of Place Bonaventure, a prestigious office building in Montreal, was cheap because it had no window – “quite old-fashioned!” according to Pierre Ducros. The three partners also knew they would have to turn a profit during their first year of operation, “to let people know that the business was profitable”, as they were told by the accountant in Sherbrooke who was looking after their affairs. This was not his only advice; he also suggested that they should end their fiscal year on June 1, the period when he was the most available and when auditing costs would be lower. Pierre Ducros found this offer to be “truly entrepreneurial”.

As a way of investing in the firm, the three partners paid themselves no wages during the first six months of operation; for the following eighteen months, they each received an annual salary of \$20,000.

The firm offered two types of services, computer consulting and computer service implementation, to the computer managers of large corporations or the managers of smaller companies, often in the form of a consulting report setting out what was needed and proposing a possible overall structure. DMR was the first firm to offer to set up the solution it recommended – this was an entirely new concept. Its customers appreciated the approach, which was even more innovative because it focused less on “hardware” and more on operating systems and software. Hardware represented 5% of DMR’s turnover in the early years, and subsequently fell to 1% as a result of a growing trend towards standardization.

Who were the new firm’s customers and how were they approached? Pierre Ducros describes the role of each of the partners:

The day before [February] the 26th, we drew lots and I became president. In hindsight, the others agreed that this chance result turned out to be the right one. Alain Roy, who is very analytical and had significant financial resources, was an excellent internal manager. Serge Meilleur is an incredible extrovert. The expression “selling fridges to the Eskimos” fits him

down to the ground. He was fantastic as an operations man. For my part, I took care of the promising financial institutions sector. At the same time, I contributed a vision for the firm and for the future that the two others did not have. I was the best communicator. People accepted me. When I spoke about my vision for the business to our customers and employees, they trusted me.

Beginning on February 27, the three partners sent out no less than 300 letters offering their services. Pierre Ducros' first customer was the VP in charge of computer services at the National Bank of Canada; shortly afterwards, he came back from Chicoutimi, a northern Québec town, with the first invoice, for \$350. Business picked up quickly. This is how Pierre Ducros describes their business philosophy:

It was all quite entrepreneurial in the early days. When a business starts to grow, you think it's time to add something a bit more professional. All entrepreneurs must make things look more professional at some point. I'm a firm believer in professional managers, and in entrepreneurial management. There are certain steps in the evolution [of a business]. My vision was that DMR would become one of the ten best firms in its field in the world. I wanted to set up a business of international scope. To do that, we had to add education, research and development, a human resources department, and a strategic plan. We had to move from an entrepreneurial approach to a professional one. Alain Roy agreed completely with this vision, and he was often responsible for implementing things at this level.

DMR completed the first phase in its development in 1986, when two out of three partners were ready to transform the firm into a publicly-traded company. Serge Meilleur did not agree with this approach, feeling more at home in a smaller company. Pierre Ducros and Alain Roy bought his shares, and faced the risks of increased growth alone.

In 1987, DMR employed 1,550 people, including 1,400 professionals. It had 32 offices, including 18 in Canada, four in the United States, six in Australia and four in Europe. Its consolidated earnings of around \$79 million placed it ahead of CGI and IST, two other Canadian firms working in the computer consulting field. DMR issued shares, and the money received was invested to support the firm's growth.

Pierre Ducros was so convinced that the real assets of a company working in the computer field were its employees that he set up the DMR University, an in-house division responsible for ongoing training. By 1995, DMR had 3,500 employees; to meet his training criteria, Pierre Ducros hired 18 full-time instructors to dispense five management courses to 85 employees who were also full-time students. The training was expensive, but it ensured that the company had extremely competent staff who could act as the firm's ambassadors.

From experience, Pierre Ducros knew that managing growth, even with good managers, was no easy task. How did he go about recruiting high-quality staff, people who "liked to be on the winning side"? Every office had a recruitment program and a career management program, and both programs were taught at the DMR University.

Research, too, was considered important. A separate research department was created and placed under the responsibility of a DMR employee who was also chairman of the board of directors of CRIM, the Montreal computer research centre, and who was therefore well aware of new developments.

AN UNEXPECTED, DIFFICULT SETBACK

Over the years, DMR continued to develop, and its turnover rose to \$300 million in 1995. However, the share price remained at 38 cents, unchanged since 1986, the year of the initial public offering. Unless a significant investment was made, Pierre Ducros could see no substantial changes in the future.

DMR was still an attractive proposition. In 1990, Serge Meilleur returned to work at DMR. He was hired as an employee and given responsibility for operations in Québec, and a little later for the whole of Canada. Some mutual funds, especially in Ontario, began to show an interest in DMR. With regard to Québec's pension fund investment agency (the Caisse de dépôt et placement du Québec), Pierre Ducros comments:

I would have been delighted to accept the Caisse de dépôt as a shareholder, but without the "Québec clause", which stipulates that the company can only be sold on to another Québec firm. Since DMR was the largest firm in Canada, only Bell could have bought it. When you only have one prospective purchaser... I didn't want to end up in the same situation as Vidéotron, for example, which had to be sold to Quebecor rather than Rogers because of the requirements of the Caisse de dépôt with its "Québec clause".

The death of Alain Roy, "a very great man who knew how to go about things", threw Pierre Ducros' world into turmoil. Almost ten years later, the memory of his dear friend still affects him deeply:

We relied a lot on each other. We worked well together. Of course there were some difficult moments, like Black Monday when the share price fell suddenly from \$10 to around \$2, and affected our ability to obtain financing. But working for DMR always brought me great pleasure. I loved every minute, up to the death of Alain Roy in 1994.

In a company like DMR, the ability to obtain financing is the main motor for growth. It allows the directors to pay salaries, which are often high in the sector, to attract new employees (up to 1,000 per year), to provide training, and to see to research and development, marketing and sales – all at a cost of 20%. Without financing, the company cannot survive, because four months can elapse between hiring and obtaining revenue from the employee's first productive work.

After the death of Alain Roy, Pierre Ducros became the main shareholder, since Serge Meilleur had sold all his shares in 1986. With 40 offices around the world, he spent a lot of time on planes. Of course, DMR had "an experienced board", and Pierre Ducros had personally selected each director, but directors are not meant to supervise the day-to-day operations of a company (see Appendix 2). Failing to see any future for the company, and with the support of his management team, he decided to sell DMR, but not to just anybody – and not at any price.

In fact, selling DMR meant locating a strategic partner. According to Pierre Ducros, this partner was the California corporation Amdahl, a competitor of IBM that also made supercomputers. Amdahl had been founded by Gene Amdahl, "one of IBM's leading researchers", but its new president knew that hardware had become of secondary importance and that in the short term, if he wanted to compete with IBM and its service arm, he would have to set up his own service department to give customers the computing solutions they needed.

What the newspapers were calling the DMR saga, with its proposals and counter-proposals, eventually came to an end in November 1995 when Amdahl sealed its final offer. DMR was sold for \$185 million. The story had almost come full circle.

THE WORD "RETIREMENT" IS NOT PART OF PIERRE DUCROS' VOCABULARY

In June 1996, I told some journalists that I had decided three things on a professional level. I wanted to continue my involvement with various boards of directors, if they still wanted me; I wanted to get involved in the community to give back some of what I had received; and I wanted to help small businesses in the computing and telecommunications field.

When DMR was sold, Pierre Ducros knew he would not stay on long with the company since, as he points out, "you know about all the hidden skeletons, whereas the new owner wants to manage it his own way. He's willing to accept you for a transitional period." The transition began

in November 1995, and ended on June 1, 1996. During these few months, Pierre Ducros acted as chairman of the board of directors; he also supervised a takeover and made sure the changeover went smoothly.

After he left DMR, events suddenly speeded up. Fujitsu, which already owned 48% of Amdahl, bought out the remaining 52% and integrated the company into its own structure, at the same time letting several company officers go. Nevertheless, in 2002 DMR is still an autonomous company with a turnover of \$1.3 billion and almost 11,000 employees, mainly located in the United States (4,000), Europe (3,500), Canada (2,000) and Asia (1,000). In the view of Pierre Ducros, “like many growth companies in the service sector, DMR is not profitable”. He is also sure the company will drop the name DMR in the not-too-distant future, probably replacing it by Fujitsu Service. Whatever happens, though, for him it is a thing of the past, and he has plenty to keep him busy in the present.

BUSINESS EXPERIENCE

In 2001, Pierre Ducros sat on the board of directors of four major Canadian corporations: Manuvie, the largest insurance company in Canada; La Financière Banque Nationale, the brokerage arm of the National Bank of Canada; Cognos, “a major firm in Ottawa that extracts information from databases and generates \$750 million in revenue per year,” and BCE Emergis, the e-commerce wing of BCE.

Over the years, Pierre Ducros has acquired extensive experience as a director of large corporations and public or para-public agencies. Among all the forms of management he has experienced, he feels least comfortable with university management. He even believes that “it is very difficult to manage a university. In my opinion, they’re not manageable!” Does he have any suggestions or warnings to make? Certainly:

The members of the board of directors must concentrate on managing the business as a whole, rather than on defending their own little empire. In a university, where the board of directors is not free to set tuition fees, or to hire and fire staff, it becomes very difficult to ensure that training and research remain at the very highest level.

Because the challenges are different, the board of directors of a large corporation like Manuvie does not have the same role as the board of a small company, and the role of director is also different:

Manuvie is such a well-managed company that, as a board member, you approve everything because there are so few errors. You try to offer guidance and make comments, but the team members are highly competent. In a small company, you have more influence. You have to be careful not to make any mistakes. People tend to place too much importance on what you say.

The Manuvie board of directors meets five times a year, like the human resources committee of which Pierre Ducros is also a member. The meetings are held in a huge boardroom equipped with elegant, comfortable furniture. The video presentations and documentation are always professional in the extreme: “everything is properly edited, highly structured and written in perfect English. The financial situation is entirely under control,” a detail that is important given that Manuvie has \$125 billion of assets under management and reports profits of \$1.25 billion every year.

Pierre Ducros is just as committed to the community. In September 2001, he ended his second term (the maximum allowed) on the board of directors of UQAM (the Université du Québec à Montréal), where he was first a board member and then chairman of the board. He is still a governor of the Montreal General Hospital, and he works to raise funds for the Montreal Symphony Orchestra, the Metropolitan Orchestra and Les Grands Ballets Canadiens. He has been quick to note that non-profit organizations in Québec are under-funded, because there are not

enough companies to support them. Regardless of the field of endeavour – medical, educational or cultural – the amounts invested are tiny.

At DMR, Pierre Ducros applied a donations policy that represented roughly 5% of pre-tax profits, as compared to the suggest 1% level under the Imagine program. When necessary, he was always quick to make an extra contribution. He describes his commitment to the arts as follows:

To mark the 10th anniversary of DMR, I asked Les Ballets Jazz to create a new ballet to music by Oscar Peterson. They were in serious financial difficulties and I enabled them to survive by performing the show for my 2,000 customers throughout Canada. It cost me a fortune to thank my customers in this way, but at the same time I was able to add a cultural dimension to the supper. We organized events in Québec City, Toronto, and even in Edmonton! A ballet in Edmonton – you had to see it to believe it!

While at the head of the company, Pierre Ducros used to receive around 200 letters each year, and he often helped other companies. He left DMR six years ago, and yet he still gets just as many requests for money, or to help find money. For example, he is part of a group of nine people who, on behalf of the Montreal General Hospital, are trying to raise a million dollars to purchase a scanner.

When training as a Navy officer, Pierre Ducros built up the basis for a type of maturity that he has continued to develop. His management experience has provided a wealth of learning and he has refined his ability to appreciate people and situations. His work within organizations, initially at IBM, taught him how to understand the needs of his customers and general market trends. Knowing how to set the limits of what is possible for him, he applies the same way of thinking to all the people and organizations with which he is involved. He radiates wisdom and confidence when he speaks, the kind of confidence that quickly betrays the presence of a leader.

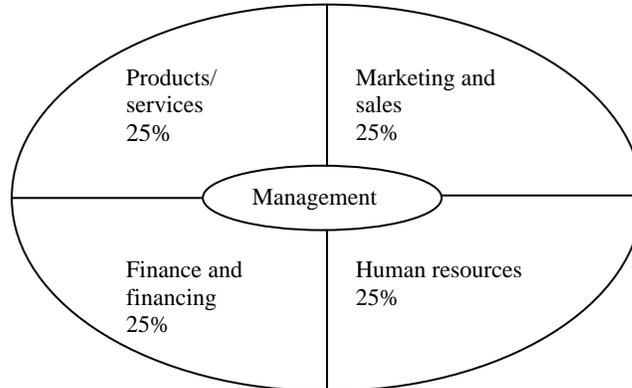
MENTORING

In theory, Pierre Ducros retired in June 1996; in practice, however, more than fifty files were stacked up on his living-room table, his temporary office from July 1996 onwards. His main interest was in small businesses with a turnover of under \$300,000 per year. He was not looking to invest, but rather to act as a coach or mentor. He would only become financially involved if a business had a strong potential for growth and profitability, when he would agree to sit on the board of directors.

He quickly discovered the world of VSBs (very small businesses), a slightly unfocused world where young entrepreneurs sell their products to friends, often unable to pay for them, rather than to large corporations such as the National Bank or Hydro-Québec, who could both pay for the products and raise the firm's profile. Pierre Ducros always required his young followers to look critically at their approach, to make them aware of "the importance of achieving a balance between the four basic functions, failing which the business cannot develop" (see the diagram below).

DIAGRAM 1

**THE FOUR BASIC FUNCTIONS OF A BALANCED MANAGEMENT SYSTEM
(ORGANIZATIONAL PRINCIPLE OF PIERRE DUCROS)**



He says that “everyone realizes very quickly” that it is to their advantage to set up a management system in which the four basic business functions are balanced; however, although it is easy to achieve balance on paper, it is far more difficult to do so when actually managing a business. Pierre Ducros adds:

Entrepreneurs working in small technology businesses have an excellent perception of their product. It’s not up to me to judge the quality of their product in five minutes, when they’ve been working on developing it twelve hours a day. If the product is silly, you soon realize it. I tend not to focus much on the product, because the product only represents 25% of the value of the business.

Pierre Ducros observes that, all too often, his protégés “tend to develop their products without taking the other three factors into account”. The main weakness he encounters is the “marketing and sales” function, because the young entrepreneurs are convinced their product will sell itself. Proving the concept through market acceptance of the product is a test few of them are able to pass:

The first thing I ask them as a member of the board of directors is “How are you going to sell your product? Who will buy it? At what price? Will it be profitable? Stop talking about your product, I don’t want to hear any more about it. Start talking about your market. Show me your sales projections. I’m not expecting to see five-year projections, because nobody could do that. But tell me how much you will earn over the next quarter and the next year. I’ll monitor your progress. The ability of the market to absorb your product will be my proof. Once you’ve made your first sale, I’ll add the human resources aspect.”

In 2001, Pierre Ducros was involved in eight small technology firms working in the fields of telecommunications and information systems. Each firm represents a different experience for him, but his approach remains the same; as a strong communicator, he concentrates on individuals while conducting a due diligence review of the business. Nothing escapes his attention: the product, product quality, and the customer base. Where necessary, he takes the time to go and see customers himself.

Telog is a “strong, profitable firm” that sells telecommunications and computer software⁴. However, its growth had stagnated; it had extremely good customers, but only two of them. In addition, Pierre Ducros noted that everything was based on the willpower of a single person, in a kind of one-man show; its closest competitor “had grown to twice the size in six months”. It was time to take action. Pierre Ducros was offered 5% of Telog’s shares and a seat on the board in exchange for assistance and advice.

Over a two-year period, Pierre Ducros helped Sole Owner structure his business, and designed a compensation program. He found ten new customers, recruited an executive director for Montreal, and another highly competent person for New Brunswick. To counteract the effects of the competition, Pierre Ducros suggested that, as DMR had done, the firm should open an office in Toronto and another in Boston. Hiring the best person on the market became the firm's watchword.

However, Sole Owner's enthusiasm diminished when Pierre Ducros suggested that the best officers should be offered stock options in addition to their salary. Pierre Ducros explains his views as follows:

In 1973, the three partners in DMR each had 33% of the shares. In 1974, we agreed to give five of our best managers 5% of the company's shares each. We were each left with 25% of the shares. It didn't cost us anything to distribute the shares, because we ended up with a team of eight senior managers able to develop the Toronto, Québec City and Ottawa markets. Sole Owner, on the other hand, started to cool off. He refused and I left. Often, people are not willing to give up part of their ownership to key employees.

Did he feel bitter about this unused potential for growth? Not at all – this is a common occurrence in small businesses. Sole Owner is not the only entrepreneur with a highly profitable small business who wants to keep control. There are hundreds of entrepreneurs who surround themselves with weaker people because they do not want to give them any form of participation. However, in a world in which technology is evolving at a dizzying pace, Pierre Ducros is not very optimistic about the future of Telog. As for his own 5% stake, it was necessary for another businessman to intervene as a mediator, because of the inflexible attitude of Sole Owner.

THE NEEDS OF VSBS

Because of their nature, very small businesses have different needs from large corporations. The support Pierre Ducros provides is more regular – involving weekly meetings – and more personalized. Sometimes, as a mentor, he talks to his protégé on a daily basis, by phone or, more recently, by e-mail. There is a lot of routine management, he says.

The type of board of directors also varies greatly from one VSB to another. Meetings are often unstructured, without fixed agendas, and board members have only a vague idea of their roles. Pierre Ducros describes his experience at Energy Plus as follows⁴:

The mentors... were there but the board was not properly structured. Philippe [Marchand] was the chairman of the board, chief executive officer and controlling shareholder. He was everything. He came to board meetings but did not know what to do. Philippe was an excellent salesman but had never run a business. He inherited the business from his father.

Pierre Ducros was fascinated by Energy Plus, its leading-edge products and its connections with well-known personalities from Montreal's business community. He had no hesitation in joining the team. Appointed chairman of the board, he introduced a number of new concepts, including formal agendas and minutes. He even kept an eye on the company's strategic plan. Gradually, order was instilled. He encouraged the company to hire a controller who would be responsible for everyday financial management, releasing the external accountant, who became chairman of the auditing committee.

Pierre Ducros knows by experience that the Canadian market is too small to absorb the production capacity of domestic companies, regardless of what their product may be. They need to export. Canadian entrepreneurs turn by instinct to the United States, a huge market in close proximity. Many believe the American market is no different to the Canadian market, and expect market penetration to be easy. In reality, however, it is very different, although it does offer tremendous potential. It is also a market that requires enormous investments.

To obtain funding, Pierre Ducros knew he would have to present a clear, sufficiently detailed document that was nevertheless fairly concise. He therefore “reduced a monster document [the original master plan] to 20 pages, plus five pages of financials”, and set out to visit risk capitalists, in an attempt to find one that would agree to invest. He himself had such great confidence in the product and such a firm belief in the entrepreneur that he invested his own money in the company.

It took him nine months to restructure Energy Plus, and several additional months to improve its capitalization. A number of pilot projects presented to American giants were well-received – indeed, the Americans praised the originality and quality of the technology. But no orders came. Clearly, the American market had doubts about the capacities of a small company like Energy Plus. Pierre Ducros had this to say about the eventual sale of the company:

French-Canadians are terrific with technology. Some wonderful companies, including DMR, CGI, Somapro and Gespro, have been created here. The problem lies in moving from here to there. It’s extremely difficult to obtain funding for growth ... Our small Québec firm [Energy Plus] simply didn’t have the means to work with the American giants. So it was sold ...

Would it have been possible to enter into an alliance with a large North American corporation? It all depends on your point of view. According to Pierre Ducros:

Personally, I’d have preferred an alliance with Amdahl rather than a straightforward sale, but the purchaser wasn’t interested in a 60-40 alliance. They knew very well that their 60% would have increased the value of our 40%. They wanted full control, because they’d be using their own distribution network in the U.S., their own trademark, their own equipment and their own funding ... So in the end we sold Energy Plus to the Americans because we believed in it. There were a lot of major chain stores that wanted our technology for large-scale implementations.

Pierre Ducros’ involvement in small firms is not always trouble-free, because of the issues involved. For example, Vital⁴ proved that it is not always enough to have “the best product in its field in the world”. If there is no market for the product, it will probably not sell.

Vital’s management invested many millions of dollars, through a series of institutional and private investments and tax credits from the Québec government. The company’s team of computer engineers, physicians and researchers developed a tool that would facilitate the task of physicians working in hospitals. However, despite some very optimistic forecasts, the market was simply not receptive. According to Pierre Ducros:

Clearly, research and development need to be applied if the product is to be successful in the marketplace. You can research and develop to your heart’s content, but at some point you have to sell your product. Vital has an excellent product and wonderful human resources, but no market. I’m obviously 100% in favour of fundamental research; it’s extremely important. However, small and very small firms need to link to the market, unless they have bottomless financial resources like the Americans! The Americans could invest a further \$50 million, but they would end up owning their product.

A BOARD OF DIRECTORS: WHEN AND HOW?

You set up a board of directors when your idea has been transformed into a product or service and it’s time to move towards marketing. As long as you’re still beaver away in your garage or basement, you don’t need a board. There’s a link between the board function and the financing function. You provide initial funding by mortgaging your home or borrowing from your family. Then you get government support – or at least, you try. In some cases, it’s the best way of killing an enterprise! When you need capital for marketing and growth, you’ll need a good board to attract investors and give them confidence. They’ll take

an interest in your firm if they see board members who are prepared to use their names and their time to support it. Otherwise, they'll ignore it. So, you start with the "family and friends" phase, followed by the "angels" or government phase. When you reach the "institutional financing" phase, that's when you need a board.

The board members should also have "high profiles" in the industry. They must be willing to devote the time required – sometimes two or three days a month, sometimes more – and be available at any time, even on Christmas Eve! In return, the company's management has a duty to listen to what they have to say. "Mentoring the top manager isn't rocket science, it's a practical thing. You need to be very down to earth. Some people tend to be prima donnas."

Pierre Ducros would never shoulder the burden alone. As he says, "I look for external board members with complementary attributes". Recruitment is usually by word of mouth; someone he knows seeks him out, or vice-versa.

Board membership means time and energy, but also a financial contribution. Pierre Ducros has invested his own money in all the companies with which he is involved. He does this primarily as a mark of his confidence in the firm and its manager, but also to send a signal to the market and to potential institutional investors. What does he get from his commitment? He says it is the satisfaction of helping a company to progress to a level it would never have attained otherwise.

Whatever the extent of his commitment, Pierre Ducros is never paid for his time, and nor are the other board members with whom he works. However, his structuring strategy always involves a stock option program. Every board member, and in some cases the entrepreneur, receives a certain number of options. If the firm prospers and develops, the initial investment can double or even triple.

Pierre Ducros does not believe one person (the entrepreneur) can chair the board and be managing director of the company, because the two functions are of such tremendous strategic importance. He always recommends splitting them and appointing an external chair to lead the board.

In the new technology sector, innovation is never-ending and markets are in constant evolution. A firm that hesitates soon goes under. The arrival of the Internet has transformed the software industry by shifting the focus from microcomputers (customers) to servers (companies). Firms such as Software Inc. therefore need to implement new and financially demanding business models or completely rethink their product range⁴.

Pierre Ducros, himself an investor and director, explains his recruitment philosophy as follows: When I recruit directors, I look at their expertise, credibility and profile – in other words, the networks to which they belong. I also consider their financing abilities. I don't ask them to invest at first, because they don't know the firm. But they'll be required to invest in the next round of financing ... Investors are usually prepared to put money on the table if the directors do likewise ...

He emphasizes the importance of balancing the four functions. "The product is important, but only accounts for 25%. IBM still doesn't have the best products, but it does have the other three elements!" He is also loath to approach risk capitalists, finding them too demanding and too inclined to think only about their own investment and what it will bring for them, rather than the firm they are supposed to be helping.

When asked if he has any other suggestions, Pierre Ducros does not mince words: "Be profitable in your first year of operation, and don't take a salary during the first few months." Very few entrepreneurs in the telecommunications and computer sectors actually follow this advice. "It can be a problem," he says.

The chance to benefit from Pierre Ducros' experience and knowledge is a wonderful opportunity for young entrepreneurs to achieve a level of growth with their companies that would otherwise be impossible. Who is Pierre Ducros? An entrepreneur? A manager? A coach? Or simply

a leader? Do we really have to answer these questions since each and everyone of these facets characterizes Pierre Ducros proportionally, let say 25%?

APPENDIX 1

**A CLASSICAL EDUCATION IN QUÉBEC IN THE 1950S
(AUTHOR'S NOTE)**

The classical program in Québec in the 1950s was derived from curricula devised by priests at the time of the French Regime, and dated back to the period preceding the French Revolution. Students began the program after seven years of elementary school, and only those with the best results at the elementary level were accepted. Classes were small, and the schools themselves were somewhat elitist.

The program was spread over eight years, as follows:

Year	Principal Subjects
6 th – <i>Éléments latins</i>	Latin, French Grammar, English, Mathematics, Geography, Ancient and Roman History;
5 th – Syntax	Latin, French Grammar, English, Mathematics, History of the Middle Ages;
4 th – Method	Latin, Greek, French Grammar, English, Mathematics, Renaissance and Modern History;
3 rd – Versification	Latin, Greek, French Linguistic Analysis, English, Mathematics, Contemporary History (20 th Century);
2 nd – <i>Belles Lettres</i>	Latin, Greek, Latin and Greek Literary Analysis, French, English and Latin Literature, French Literary Analysis (Classics), French, English, Latin and Greek Poetry, Mathematics, History of Canada;
1 st – Rhetoric	Latin, Greek, French, English, Greek and Latin Literature and Literary Analysis (Classics), Public Speaking, Mathematics, History of the United States;
Philosophy I	Thomist Philosophy (books written in Latin), Chemistry, Mathematics, Apologetics (Catholic religious defence dogmas);
Philosophy II	Thomist Philosophy (books written in Latin), Physics, Mathematics, Contemporary Life.

Courses were given from 8:30 a.m. to midday and from 1:30 p.m. to 3:30 p.m., followed by a study period from 4:00 p.m. to 5:45 p.m. during which students were required to produce and remit a translation from Latin or Greek into French or vice-versa. Schools were open Monday to Saturday, although courses were not offered on Tuesday and Thursday afternoons or Wednesday and Saturday afternoons, depending on the institution. The free afternoons were usually given over to sports. The school year began on the first Tuesday of September and ended the day before June 24th, which is Québec's national holiday.

The eight years spent in a classical college were intense. Students had long readings to do and texts to memorize every day, which meant several hours of homework. Boarders had a mandatory study period from 7:30 p.m. to 9:00 p.m. Boys were usually educated in seminaries run by monks, and girls in convents run by nuns. Mixed classical institutions did not appear until the late 1960s, although same-sex secular staff began to be hired after the Second World War. Compared to 21st century educational systems, the classical system was highly regulated and even Spartan in its approach. Examinations took place at the end of every session, with provincial examinations at the end of Rhetoric, Philosophy I and Philosophy II.

Graduates of the classical system usually went on to university, and their choice of faculty was dependent on their results. Medicine, considered at the time to be the most demanding of the professions, tended to attract the best science students. Students whose strong points were the literary or spiritual subjects chose law or the priesthood. Those who chose the University of Montreal Business School were in the minority, since accounting and commerce did not enjoy the

same status as the other liberal professions. Indeed, vocational schools such as engineering and business schools only obtained social recognition after the Quiet Revolution of the 1960s, and when business began to boom in the 1970s.

Classical students received a highly standardized education, since they were taught the classical languages along with written French and English. They therefore developed similar mental schema, with the advantages and disadvantages this brought for individual and social development.

When Pierre Ducros went to Stanislas College, he found a very different world:

There were two fundamental differences between French classical college and Québec classical college. First, Stanislas – a French college – was secular, whereas the Québec colleges were catholic. Religion was not a mandatory subject in the French program, and students could choose other subjects if they wished – normally French or the history of France. History courses tended to concentrate more on France and Europe than on Canada and Québec. The second major difference was in the number of years; in the French colleges, there was only one year of philosophy, compared with two in the Québec system, and students were taught about worldwide philosophical trends and cosmology or logic, rather than Thomist philosophy.

APPENDIX 2

DMR BOARD MEMBERS BETWEEN 1990 AND 1995⁵

In addition to Pierre Y. Ducros, who was Chairman of the Board and Managing Director, and J. Alain Roy, who was Vice-Chairman of the Board, Executive Vice-President and Secretary at some time or another between 1990 and 1995, the members of DMR's board of directors were:

Bernard G. Côté, Chairman and Managing Director, stanMont Inc.

Jacques A. Drouin, Chairman and Managing Director, Corporation du Groupe La Laurentienne. In 1994, Mr. Drouin became a partner in J. Henry Schroder & Co. Limited.

Jean-Paul Gourdeau, Chairman of the Board, Le Groupe SNC Inc. In 1993, he became Chairman and Principal of École Polytechnique, the Montreal University engineering school.

Bertin F. Nadeau, Chairman of the Board and Managing Director, Unigesco Inc. In 1991, Mr. Nadeau became Chairman of the Board of Provigo Inc./Univa Inc. In 1995, he became Chairman of the Board and Managing Director of GescoLynx Inc.

John F. Ward, Managing Director, Qantas Airways Limited.

Pierre Scohier, Chairman of the Management Committee and Director responsible for general management, S.A. Compagnie Belge de Participations Paribas "Copeba" S.A.

Ian Riddell, Information Manager, Qantas Airways Limited, replaced Mr. Ward in 1991. David C. Burden, General Manager of Information Technology, Qantas Airlines Limited, took over from Mr. Riddell in 1995.

In 1991, E. Peter Lougheed, Senior Partner with Bennett Jones Verchere, was appointed to the DMR board, bringing the total number of directors to nine. (Peter Lougheed was a former Conservative Prime Minister of Alberta).

In 1992, Geraldine A. Kenney-Wallace, Chairwoman and Dean of McMaster University, was also appointed, bringing the total number of directors to ten. In 1995, she became a guest lecturer at Toronto University's Faculty of Management.

In 1993, the appointment of Earl H. Orser, Chairman of the Board of London Life Insurance Company, brought the total number of directors to eleven. In 1995, Mr. Orser became Chairman of the Board of Spar Aérospatiale Limitée.

En 1994, Serge Meilleur, Executive Vice-President responsible for DMR's business development, also joined the board;

Charles Sirois, Chairman of the Board and Managing Director of Téléglobe Inc., joined the board in the same year, bringing the total membership to twelve.

The company was sold in November 1995.

ENDNOTES

1. This case study was produced with financial assistance from the CPHEC, and translated by Benjamin Waterhouse.
2. Pierre Ducros was interviewed on September 5 and 6, 2001.
3. Meilleur, S. in collaboration with Pierre Beaudoin, *DMR – La fin d'un rêve*, Les éditions Transcontinental Inc., 1997, 302 p. See also “Le Groupe DMR (A et B)”, case study prepared by Guy Boucher and Professor Marcel Côté, published in Côté, M. et al., *La gestion stratégique d'entreprises – concept et cas*, Gaëtan Morin Éditeur, 1991, p. 617-641.
4. The corporate name of the firms and its manager's name have been changed to protect their confidentiality.
5. All information on DMR board members was taken from the company's annual reports.