When Dr. Koichi Nishimura was three years old, he went away to "camp." In the hysteria that followed Japan's attack on Pearl Harbor, he was considered a threat to U.S. security. Today, Nishimura-everyone calls him Ko-is CEO of Solectron Corp., a Milpitas, CA-based electronics contract manufacturer, and Electronic Business' CEO of the Year. But in early 1942, Ko and his family were forced to move to Manzanar, one of 10 so-called "relocation centers," which housed more than 110,000 Japanese Americans during World War II.

At the internment camp on the windy, semi-arid eastern slope of the Sierra Nevada near Lone Pine, CA, the Nishimuras, and 11,000 others, lived in sparsely furnished barracks. "Some people died out there," Nishimura recalls without a hint of bitterness. "But some of it wasn't bad." After all, the family was together. His maternal grandmother was there. She was an early mentor who instilled the values he lives by to this day, including harmony, virtue and appreciation of others.

Kindergarten was taught in Japanese, the only language he spoke. "The biggest shock came when I went to first grade," he says. "It was taught in English." Classmates who spoke English teased him and picked fights. "About the fifth day they stopped teasing me," he remembers. Why? "I won more fights than I lost." When the war ended, the Nishimuras returned to Pasadena, where Ko had been born in 1938. They arrived late Sunday night. The next day was the start of school and he saw black people for the first time. Their neighborhood, the same one where Jackie Robinson grew up, was predominantly black. "One day your neighbors were all Japanese, and the next day all black. It was confusing," Nishimura says.
Nishimura learned early that life isn't fair or easy. He also grew up with the Buddhist belief that nothing in life lasts forever, everything changes, and everything is good. "In my last breath, I don't want to say, I wish I'd done something." It's OK to try something and fail," Nishimura says. The lesson of his life: Make the most of your opportunities.

Fact is, there weren't many opportunities for Japanese Americans when Nishimura was a kid. His father was trained as an engineer at the University of California at Berkeley, and never got to practice his profession. Unless you count the machinery he hand-built to operate a fish processing plant he started. It's no surprise that Nishimura has wrung the most from his opportunities. He climbed the ladder at IBM Corp. through hard work, earned his doctoral degree at Stanford University on IBM's dollar, and in 1988 accepted then Solectron CEO Winston Chen's offer to become COO.

"Most people think we're a manufacturing company. We're good at manufacturing, but we're really a service company."
-Koichi Nishimura

Nishimura pursued the prestigious Malcolm Baldrige National Quality Award because it was an opportunity for Solectron to make a leap forward in its quality processes. Solectron won the award in 1991. In 1997, it became the first manufacturer to win a second Baldrige award, the equivalent of winning gold in back-to-back Olympics. Under Nishimura, Solectron has seized one opportunity after another to grow from a single site in Silicon Valley to 27 sites on four continents and to expand its services to include design, fulfillment and repair. Nishimura wants to give his 37,000 employees-called associates-the opportunity to increase their own wealth, social stature and job skills. In return, he expects them to be fiercely loyal, dedicated to customers and committed to hard work.

Leadership for growth and success

_EB_ names Nishimura CEO of the Year because under his leadership Solectron has become the dominant player in the fast growing contract manufacturing market, and he has helped build that market. Solectron's revenues have increased from just under $300 million in 1989 to more than $8 billion in the fiscal year that ended Aug. 31, 1999-an annual growth rate averaging about 50 percent, and it expects to top $13 billion in fiscal 2000. Since its initial public offering in 1989 the stock has split four times, recently trading around $60 per share.

In the past year, Solectron's revenue surpassed industry leader, SCI Systems Inc., Huntsville, AL. SCI is fighting back and analysts expect the two companies to keep leapfrogging each other into the future.

Under Nishimura's leadership Solectron has met quality standards against which all others are now judged. "Everyone else uses them as the measuring stick," says Randall Sherman, an analyst with Electronic Trends Publications Inc., San Jose. "Solectron continues to dominate the market as a result." There's wide agreement the first Baldrige award had ripple effects. "It helped to elevate the stature of the entire industry in the minds of investors and the electronics community as a whole," says Pamela Gordon, president, Technology Forecasters Inc., Alameda, CA. Even competitors credit Solectron. "They give the whole industry a good name," notes Michael Marks, CEO of San Jose-based
Flextronics International Ltd., whose annual revenues are $1.8 billion and growing.

Until the early 1990s, original equipment manufacturers (OEMs) viewed contract manufacturers as a place to turn to make printed circuit boards when their own plants were taxed to capacity. Today, falling prices, narrowing margins and shrinking product lifecycles all spell the need for OEMs to focus on what they do best—innovate, design and market—and let experts like Solectron handle manufacturing and logistics. Technology Forecasters projects contract manufacturing will grow from $60 billion in 1998 to $150 billion in 2003—a 20% annual growth rate.

CMs have little sex appeal compared with Silicon Valley's elite, but they are vitally important to the industry. Networking giant Cisco Systems Inc., San Jose, for example, outsources more than half of its manufacturing. Cisco is a key customer of Solectron, as are IBM, Hewlett-Packard Co., Palo Alto, Sun Microsystems Inc., Palo Alto, and LM Ericsson Telephone Co., Sweden. Contract manufacturers have about 20% of the electronics manufacturing market and Solectron's share of that slice is about 12%, according to Electronic Trends' Sherman.

Solectron's Malcolm Baldrige award
"helped to elevate the stature of the entire industry in the minds of investors and the electronics community as a whole."
-Pamela Gordon, president, Technology Forecasters Inc.

In recent years, Solectron and others have expanded their services to include design, test, box assembly, fulfillment and repair. Solectron, for example, recently bought a maintenance and support center in Tennessee. Still, about 90% of its business is surface mount technology.

Nishimura's vision: To grow Solectron's capabilities and market share along the entire manufacturing chain. Solectron acquired three plants from NCR Corp., Dayton, OH, last year and took over every aspect of assembling and delivering low-end PCs, point of sale terminals and other devices for NCR's retail services division. Earlier this year, Solectron signed an agreement with distributor Ingram Micro Inc., Santa Ana, CA, to provide build-to-order assembly services for desktop computers, servers and related products. Mark Guidici, an analyst at Dataquest in San Jose, counts Solectron among the handful of world-class contract manufacturers, which include SCI, Flextronics and Jabil Circuit Inc., St. Petersburg, FL. "Ko was in the right place at the right time," says Guidici. "He had ideas and he executed on them."

Psst! Don't talk football

What's the secret to Nishimura's success? "Part of it is luck," Nishimura says. He praises the leaders who were at Solectron before him, especially Chen, who used an inheritance to buy a 50% stake in Solectron in 1978 when it was about to go bankrupt. "Half the people in my leadership team were here when I arrived. I can't take credit for that," he says. "I don't care if you are a great football coach, if you don't have great players you can't win."

It is the first of many football analogies he uses. That house in Pasadena was four blocks from the Rose Bowl, and Nishimura grew up watching a lot of games. He later became a starting defensive back for Muir High School and Pasadena Junior College. "There weren't many Nisei playing
football," he says dryly. Nisei is a term used to classify someone as a second generation Japanese-American. His career ended when he dislocated his shoulder at the JC. He transferred to San Jose State University as a physical education major, but switched to engineering after he worked part time at Lockheed Missiles & Space Co. (now Lockheed Martin Corp.), Sunnyvale, CA.

Don't get Ko started on football, his colleagues counsel. He's hard to turn off. Forewarned, the interviewer puts off football questions until the end. Still, Nishimura sprinkles the conversation with football analogies-equating manufacturing execution to football without fumbles, for example.

It's not hard to picture Nishimura, 61, playing football. At just over six feet tall, he's hard and lean. Under the white silken hair on his head and face, he looks 10 years younger. He runs three to five miles every morning, rain or shine, no matter what continent he's on (he travels three out of every four weeks). On weekends, he's been known to pick em up and put em down for 10 or 12 miles in the Pinnacles National Monument, a wilderness area 50 miles southeast of San Jose. What stands out during a 90-minute interview are Nishimura's mental agility, sense of humor and candor. What makes Solectron successful? He admits the recipe includes good strategy, great execution and consistent communication to customers, investors and employees. After further discussion, it's also clear that hard work, customer service, obsession with quality, growth through acquisition and a close watch on financials are key ingredients.

"Everyone else uses [Solectron] as the measuring stick."
-Randall Sherman, an analyst with Electronic Trends Publications Inc.

His job, he says, is to systematically grow the wealth of Solectron for the sake of customers, shareholders and employees. "If you can't make the customer successful, you won't be either," he says.

Nishimura's assessment of his own contribution to Solectron is too modest, says Chen. Chen retired as CEO in 1994, remains on the board, and runs Santa Clara-based Paramitas Investment Corp. and Paramitas Foundation, which supports various worthy causes. In the early 1970s, Nishimura was Chen's boss at IBM, where they worked on printer technology. He stood up for his workers. "The part I liked most was he was very outspoken," Chen recalls. "Ko spoke his mind and got himself into trouble," Chen says. "It probably impacted his career there." Ko is a combination of American culture and Japanese tradition," he says. From American culture, he has management and leadership skills. From Japanese culture, he brings a strong sense of commitment, a high energy level and extreme focus.

"It's the samurai spirit," says Chen. "The samurai have a strong conviction to get something done if it's important. He has quite a bit of that." (Nishimura confirms there's a samurai clan in his past, but declines to elaborate because he knows so few details.) In 1988, Chen wooed his former boss away from IBM, where Nishimura spent 23 years. Nishimura became Solectron's president in 1990, CEO in 1992 and chairman of the board in 1996. He still holds all three titles. Nishimura has transformed the company, Chen says. When Chen left, it was doing a couple of billion in annual revenue and was still local in reach. "Under Ko's leadership, Solectron is doing a great job of globalization," he says. "Ko is gutsy and willing to take risks."

Calculated risks
The acquisition of plants from OEMs have been highly calculated risks. Before Solectron buys, it builds a strategic relationship with the OEM. Over time, it arranges to procure the manufacturing assets, lock, stock and staff. It has acquired plants from IBM, HP, NCR and others, and even built a few.

The strategy: Offer customers a build capability as close as possible to where they need product. Dataquest's Guidici says the model allows Solectron to evaluate the plant and its market before it buys. After the takeover, the previous owner provides a steady stream of business until Solectron can attract new business. "I don't know of any flops," says Guidici. "You don't hear about the plants they decided not to buy." In most cases, the OEM's employees and assets were neglected, says Walt Wilson, Solectron's senior vice president for business integration and information technology.

Manufacturing was not the OEM's purpose or culture. Solectron upgrades workers' skills, installs state-of-the-art equipment, and introduces a new mix of products, which reduces downtime. The retention rate of acquired employees is higher than Solectron's overall company average, Wilson says. A hallmark of every plant is the customer satisfaction index. Each week, every customer at each plant gives Solectron a grade, accompanied by detailed comments. Managers whose groups get lower than a B must explain at a weekly management meeting what steps they're taking to solve problems.

Contract manufacturers can't distinguish themselves through technological innovation or marketing savvy so they must focus on customer satisfaction and service. "Most people think we're a manufacturing company," says Nishimura. "We're good at manufacturing, but we're really a service company." Customers appreciate the attention. Brocade Communications Systems Inc., a San Jose start-up that makes switching platforms for fiber networks, outsources manufacturing, assembly and shipping to Solectron.

Despite Brocade's size, says CFO Mike Byrd, Solectron treats it like its best customer. The index, he says, "is an excellent forum to provide feedback. They always respond quickly." Another hallmark is training. At a minimum, each worker is trained in the appropriate technical processes. All workers, including those on the line, also get a four-hour course in financial analysis. In addition, Solectron University offers 2,600 free training classes, including English as a second language and a fully accredited MBA program in conjunction with Santa Clara University.

Nishimura expresses admiration for his workers. "Solectron people are ordinary people who do extraordinary things. It's our job to create the environment for them to do that. Are we perfect? Hell no."

**A very early meeting**

Many characterize Nishimura as compassionate. Some aren't as charitable. "It was a bone cruncher environment," recalls Rick Seaman, who was laid off in 1996 after five years as director of strategic development. Silicon Valley is notorious for long work weeks but "even in a universe of hard working people, Solectron stands out," says Seaman.

Nishimura often holds meetings with executives on Sunday morning. Seaman recalls being scheduled to meet the boss at 7 a.m. It was the Sunday when clocks are pushed forward, so the time would really be 6 a.m. When he pointed out they would lose an hour of sleep, Nishimura didn't reschedule, Seaman says. (Nishimura gets by on four or five hours of sleep and has been known to go sleepless for days.) Seaman says Solectron does many things right, but adds: "A lot of people work there because it is financially prudent to do so, not because it is a great place to work." Other former Solectron executives, who requested their names not be used, made similar points. Seaman
is grateful for the rewards he reaped and admits he couldn't have started his consulting firm, Strategy Implementation Inc., Palo Alto, without them.

The Solectron culture is by design entrepreneurial and that means dedication and hard work in exchange for big rewards, including a lucrative stock purchase program. When associates work incredibly long hours to overcome obstacles, Nishimura wants to know why the processes were so insufficient to drive people to do extraordinary things. "In some cases, our growth out-scaled the capability of the process and this creates short-term inefficiencies, which we try very hard to correct as quickly as possible," he says. Solectron executives counter the critics with examples of their leader's humanity. Michael Donner, corporate director of communications, recalls the time he was in Calgary on business when the city was hit by a blizzard. From his San Jose home Nishimura saw television reports of the storm and remembered Donner was in the region. "He tracked me down by phone to make sure I was safe, and he was ready to buy and have boots and a coat sent to me by courier if I didn't have them," Donner recalls.

A strong Asian flavor

Some former employees say Solectron has a very Asian culture, and some admit it didn't work well for them. With 21 years of combined leadership from a Chinese American and a Japanese American, the Asian culture is no surprise. Nishimura credits Chen with creating a culture based on a strong work ethic, and adds: "It's my job to keep the candle lit, to preserve the culture."

Most Solectron workers in Silicon Valley are Asian immigrants, but that's no surprise either given the Asian density in Santa Clara County. Solectron's story is no different from the rest of the American saga, which is marked by waves of immigrants who came to work in the factories of their day. Nishimura believes it is his job to set the example through his actions. His grandmother always taught him actions were more meaningful than words. When he's at Solectron headquarters, he inhabits a cubicle not much different from anyone else's. He asks every employee to wear a pager and so does he.

If Nishimura's actions are any measure, he's more committed to customer satisfaction than most executives. It is one opportunity he has seized and owned at Solectron, but has practiced in other arenas, too. Not long before he joined Solectron, Nishimura and his wife, Holly, took over the newspaper routes that two of his three sons left behind when they went to college. Riding bicycles, they delivered papers each morning and sent the money to their sons. About a year after Solectron went public, the local newspaper ran its annual list of executive salaries at publicly held companies, with Nishimura appearing on the list for the first time. Buried in the same section of the paper, he was also named newspaper carrier of the week.

Reminded of the episode, he expresses pride not in his rise from humble beginnings to the Silicon Valley elite nor in the carrier of the week honor. He's proud of the reason he was named carrier of the week. "I porched' every paper," Nishimura says with glee.

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Source: Solectron Corp. *Includes a $1.1 billion equity offering

Bill Roberts is an Electronic Business contributing writer. He can be reached at brobert1@ix.netcom.com.