Teneo®

Vision

Edition 5 | 2018

Where Is The World Going? How Do We Get There First?

Editor | James Hoge

Mastering CEO Challenges

A Transformational Leader Speaks Her Mind
Ursula Burns

Ursula Burns was CEO of Xerox Corporation from 2009 until 2017. She was recently featured in Time Magazine's "TIME Firsts: Women Leaders Who Are Changing the World" special report, as the first black woman to run a Fortune 500 company. She discusses the company's successful repositioning in this interview with James Hoge.

Q: Early in your time as Xerox CEO, the company was transformed by the acquisition of Affiliated Computer Services (ACS) and the subsequent division of Xerox into two companies. What provoked such radical change and how did it work out?
A: The company was too narrowly focused on the traditional print and copy markets. We used our organically grown industry-leading document outsourcing business as a foundation to expand into the business process outsourcing markets. We started with two early, smaller acquisitions in legal and mortgage services and followed it up with the acquisition of ACS.

Q: When going through a major turnaround, how do you maintain the confidence of valued staff, customers and company directors?
A: Because our business was declining, it was not difficult to get the board directors and the management team to think about options. Our customers helped us to think more broadly. We had a great reputation with clients for innovation. The question became how to use those assets, not moving so far in the left field, staying relatively close to home. Most of our Xerox employees were skilled employees and most of the ACS employees were more hourly workers as transaction processers. So, there were some fundamental differences that we had to bring together when we thought about merging and integrating the two companies.

The first year was dedicated to ensuring that we didn't destroy each other and that we actually preserved the best of what existed in the two companies. ACS was very entrepreneurial, very fast, acquisitive and risk-taking. Xerox was a little bit conservative. We had to figure out what parts we want to keep and what we had to squash. That was a lot of work. It wasn't just making the numbers.

We ended up preserving the personalities in both companies so no one felt as though they were being overthrown. In short, we didn't love the Xerox people more than that we love the ACS people. We didn't do a large amount of mixing initially. But we did encourage co-activities and innovation. For example, our research labs were opened to show the researchers what the business process of the outsourcing business was like, and how they could help.

Q: Did Xerox's need for a turnaround attract the attention of activist investors?
A: In the last year and half of my tenure, we had Carl Icahn in our stock. His presence didn't seem to unearth things we didn't know, nor augur great new ways of doing business. It turned out

that our thought processes about creating additional shareholder value weren't impacted by the presence of an activist. Often, activists' interests are about pace and the scale of change.

Shareholder value in the short term is only one of things CEOs manage. We run enterprises over the long term and we run them for employees, communities where they live and work, as well as for investors. If we work well with the rest of our constituents, the additional shareholder value will absolutely increase.

Q: How is director support for transformative change achieved?
A: It starts with selecting knowledgeable directors. Experience helps here. Fortunately, I had directors who were experienced, who had been around the block a couple of times. They understood strategy and that things often do not go in a straight line. They were engaged as a supportive team in the acquisition of ACS, which began well before Icahn entered the picture. Directors have to be engaged in the company but not overly engaged. They don't run the place. But they are deeply involved in strategy development, talent selection at the leadership levels, and understanding and managing enterprise risk. Directors are, if you will, the top part of the sandwich. The management team and employees are the bottom slice, and the CEO is in the middle, influencing, and, in turn, being influenced by top and bottom.

Q: Are boards sufficiently diverse to reflect American society?
A: No, they are not in several ways. One is gender diversity. The statistics are still woefully short of appropriate representation of women in board seats. Racial diversity is the second issue. The third is global diversity. So the representation of different parts of the world on U.S. boards is very thin. It is something that must be worked on. The fourth is what I call age diversity. There is too little representation of the younger generation. In a typical boardroom, the directors are generally 55 or older.

Q: You were both CEO and Chairman of the Board. Why do you favor both posts being in the same hands?
A: The CEO is responsible for operating the company and implementing its strategy. There are Chairman roles separate from operating the company that are important. It is orchestrating the company's board and its governance infrastructure and guiding from a position of some independence. In fast-moving, high-tech companies, it is difficult to get a Chairman who is engaged and knowledgeable enough to be useful to the CEO. If you are going to have a separate Chairman, you need to get somebody for whom this is their full-time job.

Q: Managing succession at the CEO level is often difficult even when there is goodwill all around. Why is this so?
A: There are temptations for CEOs to stay one or two years too long and for boards to get comfortable with the status quo. The last thing a board wants to introduce is a change to company's leadership, particularly if it is good. So, it is important for a CEO to know when to leave. For me, I was taught well by my predecessor, Anne Mulcahy. She could have gone on as CEO of Xerox for four or five more years. But she had done great things at the company and then said OK someone

else can do the next phase and I need to find somebody who will be great at that. This ability to give up position is important for successful transition.

I am a firm believer that you should have an internal person as an active viable candidate. So, developing people inside an organization is important. Looking outside is also reasonable and important.

Q: Is education keeping pace with our changing economy?
A: I spent a significant amount of my time on education, particularly STEM (science, technology, engineering and math) assuring that we had a system in place that could actually fill the needs of new industry. In general, I am positively surprised by the amount of energy and effort and money and time that CEOs and companies are putting into the educational system around the U.S. But I am also amazed at how unsuccessful these efforts have been in effecting change in the path of education in America. The federal government and the states spend as much money as they do, and yet, there has been such a broad-based failure to deliver excellence out of the investments. We still have a long way to go to make this work.

Q: Should business leaders prominently engage in important public debates?
A: CEOs run businesses that employ millions of people. It is impossible for me to understand how you can have that role and be silent about major moves in the country and in the world. It is irresponsible. CEOs should have a point of view on healthcare, immigration, education, taxation and the like. CEOs should absolutely make it clear to people who are elected or are going to be elected what their points of view are and how their businesses would react to certain situations.

Q: How are you going to stay engaged on big public issues?
A: I am still active on corporate and non-profit boards. Boards have become more valuable and significantly more useful on issues such as company activism, immigration, government interference, trade barriers, and taxation policies. I also see a valuable role in advising from a post-CEO perspective. While they are leading, CEOs are in a tunnel that surrounds them. Everything outside of that tunnel is subjugated by the things inside the tunnel. The tunnel is your company. The tunnel is your employees. The tunnel is the share price. And you basically become confined to that tunnel while you're the CEO. It is important when you leave the CEO role that you see things fundamentally differently. Needed is a broad understanding that we are the engine largely of a democratic commercial society. We have to be desirable, respected, responsible and held to high standards in all that we do.

Q: Finally, what do you think will be the biggest challenge for CEOs in the coming year? And what advice can you provide these CEOs to best meet these challenges?
A: The biggest challenges for CEO in the coming year(s) will be the unpredictability of the markets and governments around the world. Business leaders are accustomed to dealing with uncertainty, but the nature, type and amount of uncertainty is unprecedented in the recent past. International uncertainty - China, Europe, Brexit, Korea; NAFTA – trade; protectionism (global, US); tax reform; ACA repeal / replace; a dysfunctional government; an unpredictable executive branch; a budget

that is fundamentally broken; digitization, AI and cyber threats; activism; and the call for CEO's to become more involved by society and government. The successful CEO will be one that is focused, clear minded, fearless, well informed, flexible and well connected and well advised at a minimum.

Teneo®

280 Park Avenue, 4th Floor
New York, NY 10017

Teneo is a global advisory firm that works exclusively with the CEOs and leaders of the world's largest and most complex companies providing strategic counsel across their full range of key objectives and issues. Comprised of the most senior talent, we work collaboratively to solve the most complex issues. Our teams integrate the disciplines of strategic communications, investment banking, management consulting, political risk analysis, talent development, risk management, digital analytics, corporate governance, government affairs and corporate restructuring to solve for the most complex business and reputational challenges and opportunities. The Firm was founded in June 2011 by Declan Kelly, Doug Band and Paul Keary and now has more than 700 employees located in 17 offices around the world.

For more information contact teneoinsights@teneoholdings.com or visit teneoholdings.com