

Leading Through Tough Times with Clarity, Candor and Credibility: Lessons on Real-Time Leadership



REMARKS BY DICK BROWN

9th Annual FranklinCovey Symposium
Salt Lake City, Utah
October 23, 2002

- EDS Chairman and CEO Dick Brown discussed the need to apply action, urgency, excellence in new ways during tough economic times. "You have to look at your business objectives and methods through new lenses ... lenses that sharpen your focus and refine your direction with clarity, candor and credibility," Brown said.



I'm honored to share this platform with such a distinguished group of thought leaders.

My topic is a simple one, though difficult to ground in daily business.

I've spoken about action, urgency, excellence ... and how it relates to leadership ... many times. Whenever I do, I usually conclude my talk this way.

I tell my audiences, "You won't learn how to be an effective leader in the library, through a training course or even listening to me. The answer to effective leadership is in the mirror."

I expect most of you know EDS and Dick Brown have been front page and center stage for the last month. Our revised earnings guidance for the third quarter disappointed Wall Street.

My mirror, lately, has been the newspaper stories, security analyst reports, my colleagues' e-mails, and shareholder and client phone calls.

I've always said leaders have the greatest opportunity to shine in tough times. Well, I have been given a great opportunity to prove my point.

The theme for this symposium underscores the importance of "focus" and "execution" as conditions for high performance.

What I'd like to do is share how EDS engaged action, urgency and excellence to focus and execute our business objectives over the past few years. Then discuss with you how today's market realities are providing new lessons on real-time leadership.

High performance at EDS

When I joined EDS nearly four years ago, I knew I had joined a company full of bright professionals, the best in the industry. I also knew I had joined a company that had grown in a thousand different directions and needed some pruning and shaping.

We had silos throughout the company ... teams who didn't talk to one another ... and often tripped over each other calling on the same clients.

My first job was to mobilize this giant, global workforce and get it moving in the same direction. We had to retool, refocus and develop a sense of ownership throughout the corporation.

We simplified our business structure, realigning 48 business units into four global lines of business.

We got our people talking to one another again, sharing best practices and collaborating to win. We established a new collective dialog among ourselves with growth as the common mindset.

Communication is at the heart of our cultural change.

I send e-mails to my 140,000 colleagues every other week. We conduct regional town halls, global television broadcasts and face-to-face meetings with senior leaders from around the world. I hold monthly conference calls with these same leaders to check our progress.

We set up a structure to compensate our top performers really well and to coach and develop those who needed improvement.

Finally, we embed in our culture an absolute commitment to service excellence.

"To us, missing a commitment is more than missing a budget. Commitments are meant to be kept. And we hold ourselves accountable."

“Nothing communicates the ground rules like the day-to-day examples set by an organization’s senior leaders. Say it ... show it ... mean it.”

We do whatever it takes to connect ... commit ... collaborate ... and deliver.

In a period of a few years, we created a high-performance culture in which people understand they run hard and run all the time ... because we’re a 24x7 organization. We ran hard, paid well and kept ahead of the market.

EDS delivered three years of strong, consistent performance with record contract signings.

However, we did make one critical mistake: We lost our grounding in market realities.

Taking inventory, rethinking priorities

With our long track record of achievement, we thought we were stronger than the market forces pulling down other companies. We were too optimistic.

When we missed our commitments, our people took it personally. Because, at EDS, we don’t make casual promises.

To us, missing a commitment is more than missing a budget. Commitments are meant to be kept. And we hold ourselves accountable.

We were severely punished, rightly or wrongly, by the marketplace for missing our third-quarter guidance. It was a wake-up call for us.

But we don’t dwell on the past. We learn from our mistakes and move on.

The good news is we can point to our clients and the service we provide and say: “EDS’ service levels are at an all-time high. And our service continues to improve.”

You can only do that if you’ve developed a strong culture to get you through tough times ... so people don’t take their eye off the ball and get distracted.

But our journey is far from over. EDS must reapply action, urgency and excellence to our current circumstances in new ways.

In tough times like these, it’s imperative to rethink your priorities and refocus. You have to look at your objectives and methods through new lenses, lenses that sharpen your focus and refine your direction.

EDS stands at this crossroads today.

Sharpening our focus

Action, urgency and excellence remain key to succeeding in today’s marketplace. Their merits are evergreen.

Underpinning them are three vital business values: clarity, candor and credibility.

Today, their importance comes center stage in a world where doubt and skepticism litter the business landscape. I’d like to drill down on each of these values.

Clarity provides a laser focus for the actions you take ... it provides meaningful, straightforward direction. Clarity encompasses more than hard performance targets ... the numbers.

It’s about spelling out business objectives and the strategies it will take to achieve them - both at the company and business-unit level.

It's also about setting clear aspirations and expectations concerning your employees' performance. It's about execution ... understanding the ground rules ... and delivering within them.

Nothing communicates the ground rules like the day-to-day examples set by an organization's senior leaders.

Say it ... show it ... mean it.

That's why I went straight to our people with a global television broadcast right after we announced our revised earnings. I hit the issues head on and left myself open to questions for an hour and a half.

We broadcast live from our senior leaders meeting. All my senior leaders were on hand to answer questions from EDS colleagues around the world.

We took questions from the Internet, phone and fax. We stood there, shoulder to shoulder, answering the toughest questions.

At EDS, if something breaks, misses the mark, fails to perform ... we admit it ... get out there and fix it.

Bad news isn't like a fine wine. It doesn't improve with age. Wait too long ... and it turns to vinegar.

This is why candor is so important. Real leaders do not discourage dissent or bad news. Bad news is often good, useful information - even when it's painful at first.

EDS' proprietary Service Excellence Dashboard provides a good example of candor.

This Web-based report card makes it easy for our clients to give us direct, filterless, feedback ... anytime ... over the Internet.

It's open ... it's candid ... and sometimes it stings.

When an account "goes red" on the dashboard, there's trouble. We immediately devise a go-to-green plan to remedy the situation.

As I said earlier, our overall service levels have increased. During the third quarter, 41 clients raised their dashboard rating to "blue," our highest rating.

The dashboard helps EDS continue to provide service excellence to our clients.

Candor offers a reality check ... from the bottom up and the top down ... from inside and outside a company. It ensures all key decision-makers have the information they need to guide the business forward.

For this reason, an organization cannot be selectively candid. An organization is either candid or it's not.

True candor opens the way to transparency ... which, in turn, fosters credibility.

Credibility is about people believing in you. Credibility is about committing to an action and then doing it. That's what makes you credible.

Credibility builds trust with each of a company's stakeholders.

Credibility rests on the foundation of accountability ... something I've always insisted on from myself first, as well as my leadership team. That includes, as I said earlier, evaluating the performance of every employee ... including myself.

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“If we fail to focus and discipline ourselves, the marketplace will do it for us.”

In fact, my performance was evaluated in an e-mail from one of my EDS colleagues. The point of the e-mail was: Dick Brown has gone to red on the investor dashboard.

The question was asked, “What was my go-to-green plan?” A valid question ... and one I assured all of our colleagues I am taking immediate action on.

In the last few weeks I have been clearing my calendar and canceling trips. My priorities are with my people and the business.

I have commissioned a special team to review EDS’ economic forecasting processes and systems.

We are working diligently to realign resources to reflect the realities of today’s and next year’s marketplace.

I told my colleagues everything is on the table ... nothing can be assumed. We will look at everything that will underscore our focus to continue controlling our costs while driving profitable revenue.

I told them we will have to go back and rebuild a piece at a time the trust we took years to put together. And that’s going to take several quarters of meeting our financial targets.

Credible leadership is judged by actions, not just words. This can mean making the tough decisions, the unpopular decisions, when necessary ... including workforce reductions, management changes, cost-cutting and embracing bold change initiatives.

Those decisions are tough because they have to be weighed against the best interests of each group of stakeholders.

We all see how the global economy is struggling. Media coverage of corporate performance is intense. The distractions are many. The demands on leaders multiply.

Lessons learned

I’ve learned some important lessons.

One, these times require great focus and discipline. Let’s face it, if we fail to focus and discipline ourselves, the marketplace will do it for us.

Leaders must get past the current distractions and focus on the fundamentals of business.

Two, we at EDS need to base our plans on a set of challenging, yet realistic goals. Missing commitments damages credibility ... reverses hard-won gains.

Three, in spite of our current challenges, my colleagues at EDS never give up. Our people never turn away. They have dedicated themselves to a legendary company, a company that gave birth to the IT services industry 40 years ago and has been a leader in it ever since.

Finally, in times of great adversity, leaders are forced to ask who they are ... what they stand for ... what’s really important.

These are truly defining moments.

I can tell you without hesitation, there is nothing more important than earning the trust, dedication and loyalty of your colleagues.

In the end, the true test of leadership will be found in the mirror of the marketplace ... in the trust and confidence of shareholders, clients and employees.

About EDS

EDS, the leading global services company, provides strategy, implementation, business transformation and operational solutions for clients managing the business and technology complexities of the digital economy. EDS brings together the world's best technologies to address critical client business imperatives. It helps clients eliminate boundaries, collaborate in new ways, establish their customers' trust and continuously seek improvement. EDS, with its management consulting subsidiary, A.T. Kearney, serves the world's leading companies and governments in 60 countries. EDS reported revenues of \$21.5 billion in 2001. The company's stock is traded on the New York Stock Exchange (NYSE: EDS) and the London Stock Exchange. Learn more at eds.com.

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