

Jeff Heller
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“More Than an Idea: Turning a Vision into a Legacy”

- As **Tom Kippola** articulated so well, companies need different management skills at different stages of their growth.
- Having been with EDS from nearly the beginning, I would even say the skill sets needed over the lifetime of an organization tend to go full circle.
- But, let me take it from the beginning ... when EDS was a start-up like so many of your companies.

1960s – Start-Up

- EDS began in 1962 with one person ... a \$1,000 check ... and a unique vision of the future in computing.
- In time, **Ross Perot** – and the people of EDS – would help invent an entire industry ... an industry now worth about \$700 billion a year globally.
- How did we do it?
- Obviously, it was the right time to get into this business.
- It began with an unconventional, trail-blazing idea for the times, one that Ross believed in and made real.
- EDS’ value chain was – and is – the service side of the technology industry.
- We help business and government automate functions and processes and build platforms to run them on.
- Then, we stick around to make sure it all works: we operate their systems ... maintain them ... and refresh them.
- In time, this service model would become as important as the hardware/software model.

- But as everyone in this room knows, you can't make it on a novel idea alone.
- It's very much about the people you bring on and how they help develop your original idea into a robust, mature business ...
- It's about people bringing an idea to life and making it happen.
- And, as Tom said, it's about matching the right expertise with the company's needs at its various stages of growth.
- Most of the people who started EDS were fast-trackers from **IBM**. That was particularly true in the 1960s.
- Those first employees exemplified strong character ... matched by a strong commitment to get the job done.
- Which is exactly what you need in a fledgling business: people, who by sheer will power – by focus, determination and perseverance on results – ensure success.
- Back then, we'd go straight to work on an account ... then get trained ... then go back into the field for a particular industry.
- Ross' idea was to teach us and immerse us in our clients' business first ... then teach us the technology skills.
- He was more interested in us becoming self-sufficient leaders by knowing every facet of the business – than becoming technocrats.
- As he used to say, "people solve problems – not computers."

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- Making the transition from a start-up to a growth company also has to do with a bit of luck – or how well you take advantage of opportunities that pop up.
- What really jump-started our business was the **Medicare** and **Medicaid** legislation that passed in the mid '60s.

- Insurance companies typically administered these programs ... and, for the most part, were not automated to the extent needed to cope with programs of this magnitude.
- The service was poor ... and costs were high.
- EDS designed an automated system to address these issues, initially for **Texas Blue Cross and Blue Shield**.
- We were able to reduce the cost per claim from \$6 to \$1 ... as well as capture new information to better manage the program.
- In 1968, the year I joined EDS, the company went public with an **IPO at \$16.50 a share** – the first time we had to raise money.
- At that time, the company **employed 371 people** and had an **annual revenue of \$7.7 million**.
- Within a year – after adding more Medicare/Medicaid work – our work force had **quadrupled to more than 1,400 employees** ... and our **stock rose to \$160 a share**.
- On paper, EDS – mostly Ross – was worth more than a billion dollars.

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1970s – Growth

- The 1970s began a period of rapid growth for EDS.
- In 1970, Ross gave up the presidency to a childhood friend of his: **Mitch Hart**.
- Even still, Ross always had his hand in the business.
- The way we ran our business then provides some important lessons.
- At EDS, we didn't operate in a technological vacuum.
- We built up a body of business knowledge with each client and industry we served.
- And the more clients we served, the more we learned.

- We became expert at transitioning from one technology to another, as we honed our skills for bigger and bigger customers.
- We leveraged our knowledge through **industry centers** ... being the first to approach our market by industry.
- We also started leveraging the new technology and expertise by consolidating scarce capital resources and scarce people skills.
- We did this by organizing them into **regional centers** and then shared them across the company.
- This increased our competitiveness, helping us become more responsive to clients ... create scale ... and cut costs.
- By our 10th year in business, we were well on our way to becoming the world's largest processor of health insurance claims.
- Revenue grew from **\$7.7 million in 1968** – when we went public ... to **\$90 million four years later**.
- It was a great growth profile by any measure!

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- There were, as you might expect, some missteps along the way.
- In the '70s, Ross and three other key executives personally bought three failing brokerage firms in New York.
- The idea was to consolidate them and bring the resulting firm back to life.
- This venture proved to be a distraction, and EDS' growth lost momentum.
- Our revenue declined from \$120 million in 1976 to \$110 million.
- Ross shut the doors of the brokerage company as a result.
- A lesson was learned: just because you're great at one thing, doesn't mean you have the "King Midas" touch for *everything*.

- Ross fired the president – Mitch Hart – and took back the reigns of the company in 1977 for two years.
- To reignite our growth engine, he got us focused again.
- In 1979, Ross picked **Mort Meyerson** as president.
- Mort was a good salesman ... a good visionary ... and a good leader.
- He revived our healthcare business and sent one of our leaders to Washington D.C. to develop our government business.
- More importantly, Mort recognized the company wasn't growing fast enough and hired Salomon Brothers to do a growth study.
- Salomon recommended we build up our capability in digital communications, which was about to bring lots of change and opportunity into the marketplace.
- We later worked with AT&T, who hired us to develop a billing system and was going through a monumental divestiture.

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1980s – Transformation

- Another unforeseen event that would dramatically accelerate our growth came in 1984, when we were bought by **General Motors**.
- GM gave EDS a big opportunity to rekindle the growth of our business and establish a global footprint.
- We benefited through new capital resources, enabling us to expand our core expertise as a systems integrator.
- We also gained tremendous experience in helping GM make the switch from analog to digital, developing the first global digital network.
- Having that expertise put us in a unique and enviable position.
- For awhile there, we were hiring and assimilating employees at the rate of 20,000 a year.

- In many ways, we were in the acquisitions business ... taking over and integrating IT departments from one company after another.
- Before hooking up with GM, the industry we started in 1962 was still quite small.
- The GM acquisition of EDS – and the way we supported GM – validated our original business model.
- It started to get the attention of other technology companies like **IBM**.
- Looking back at our revenue and stock over those first few decades gives you a sense of how rapidly we grew:
 - As I said earlier, after ten years in business – in 1972 – our annual revenue was **\$90 million**.
 - In 1981, we did our **1st two-for-one stock split**.
 - 1983: Did our **2nd** stock split. Revenue at that time was **\$651 million**.
 - By 1985 – two years later – we had our **3rd** stock split ... and revenue had skyrocketed **264% to \$3.4 billion**.
 - 1990: our **4th** two-for-one stock split and **\$6.1 billion** in revenue.

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- While GM cemented our business as a global company, it brought new challenges, eventually changing our culture and leadership.
- At GM, we needed better hands-on management capabilities because it was a much larger organization.
- Around this time frame, our work culture switched from individual performance ... to team performance ... to specialization.
- Eventually, a rift grew between Ross Perot and Roger Smith, then chairman and CEO of GM.
- And in 1986, Ross and his co-founders were bought out by GM.

1990s – New Market Challenges

- 10 years later, in 1996, GM spun EDS off and we became independent again. That's when I first became President.
- When we left GM, we weren't ready to enter the marketplace as a competitive player that was addressing the trends of the day.
- While we were busy with the intricacies of running our new global business, the world had changed.
- The '90s was the decade that the IT services industry began to explode.
- Technology continued to advance, leading us into the Internet era.
- IBM fully jumped into the market and began to take the lead from us around 1996.
- Even still, we ended the '90s ranked first in **FORTUNE's** Global 500 "computer service and software" category.
- And we had grown from \$6.1 billion in 1990 to **\$18 billion** by the end of the decade.

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2000s – Turnaround

- If you've kept up with EDS, you know we've come through a turnaround that began in 2003.
- Our company has since profited from a new strategic focus on the business and a renewed vision of the industry's future.
- We have enhanced our original services model in the process.
- EDS has entered into what we call our **Agility Alliance** with top technology and consulting companies to provide clients with next-generation technology services.
- What makes our alliance unusual is that we actually work together under one roof to develop a solution ... win a client ... and carry out the work.

- So, when you hire EDS – as a recent *Wall Street Journal* article says – you also get **Sun, Microsoft, Cisco, Oracle** and others.
- It has become a multi-supplier world, where many providers come together to deliver a business solution for a client.
- However, initial enthusiasm has worn off as clients deal with the complexity of managing multiple vendors.
- As a prime integrator, EDS provides the best of working with branded partners through a single point of contact.

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- Today, EDS is a \$21-billion-dollar company ... with more than 130,000 employees ... working in 64 countries.
- A key challenge for us is managing such a large organization.
- This means we need team players in the truest sense.
- It's simply too inefficient and costly not to work together efficiently.
- It also means making sure our many activities are aligned with a few strategic goals.
- This requires people who can take direction ... and then go out and make things happen.
- And rather than bringing a brand new idea to market – as we did 45 years ago – we are at a point of redefining our business.
- But I think some of the same skills and the culture that characterized our company's early years will serve us well at this critical juncture.
- Things like an entrepreneurial spirit ... the willingness to do whatever takes to ensure client satisfaction ... and an absolute commitment to excellence in all we do.
- These were the things that led to many past innovations and the growth of our business.
- And the common denominator behind all of this was our people.

- Which is why I believe the real key behind EDS' success was its commitment to – and belief in – people ...
- And creating an environment where the best people wanted to work.
- Ross knew technology was important.
- But he believed that people would make the biggest difference.
- And so that's what he focused his time on.
- The first dollar went to recruiting the right people ...
- And the second went to training and development.
- Beyond that, he made sure each individual had opportunities to develop and grow – personally and professionally.
- He believed everyone should be recognized and rewarded for doing well in his or her area of expertise – and he saw no distinction of equality among technicians ... operations managers ... or executives.
- In closing, let me leave you with a few of Ross' principles of success:
- "You will succeed as a result of developing a great team of people."
- "Surround yourself with people more talented than yourself."
- "Treat every person in your company as an important partner and team member."
- "Making a lot of money should not be your goal."
- "Building a great company ... developing the world's finest products ... and creating jobs for thousands of people are worthwhile goals."
- Ross' commitment to his people and clients came back two-million-fold to the business ... and to the communities in which they worked.