

Dean's Executive Leadership Series - 2009-2010

**Transcript of Q&A with Ned Barnholt,
Founding CEO of Agilent Technologies**

Dean Linda Livingstone: As I was thinking about that, and you were talking about your 40-year career here in Silicon Valley and doing some interesting things and, really, a wide variety of responsibilities at HP and then, at Agilent, and so you have seen this area, and you've seen the world of technology change just dramatically through that time. As you look to the future of that—and I don't know how much you think about what's going to happen in the future—where do you see, kind of, this area in that industry going, given where it came from 40 years ago? I mean, what are you excited about? What concerns do you have that are out there that could affect what's going on here?

Ned Barnholt: Okay. Well, a really good question. One of the things that I often note is that when I started in the Valley, most of the companies and most of the jobs here were aerospace defense—Lockheed, FILCO, Eitel-McCullough, even Varian, Watkins-Johnson. Lots of companies, aerospace defense. This was in the mid-'60s. But then, when the semiconductor came along and you started seeing the Fairchild and then, the spin-off from Fairchild and all the semiconductor companies start, that's when the Valley started to really become Silicon Valley. But once you had semiconductors then, you could start building computers that didn't fill a room half this size or this size. You could actually build computers that were smaller and could fit on desktops and others. So that, I think, really gave rise to the computer business, when you could start using semiconductor chips, integrated circuits, to build the computers and other devices. Once you had the computers then, you needed to build software. Then, you needed to have the networking. And then, you know, all the other peripheral things came along. And then, in the '90s, of course, we had the Internet. So if you look at the Valley, the Valley has evolved, you know, from aerospace defense to semiconductors to computers to networking to software to now, the Internet. And so I have complete confidence there will be a next thing. You know, there always is, and they all layer on top. These other things don't go away. They just, kind of, mature and something else gets added on top. And so, you know, a lot of people speculate, "What is that? What's that going to be?" Well, I don't know. It might be green-tech. It might be bio-tech. You know, maybe, there's something we haven't thought about yet with broadband communications. And, you know, all the information that's going to be available in video and data. But I have a lot of confidence that there will be a lot of great ideas for this Valley to pursue. My only caveat is whether we're going to have the resources to pursue it. I worry about our education system. I worry about some of our limitations on immigration. I think those could be serious.

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When you look at what has provided the stimulus for growth in the past, these things have been critical. So given the fact that we can have a supportive infrastructure in California, and given the fact that we can find the resources to start all these young companies and grow the business, I'm sure there will be a next thing. And, you know, probably some combination of green-tech and bio-tech would be my guess.

Dean Linda Livingstone: So you mentioned the importance of things like immigration and education to the future. It certainly applies here, but it applies all around the country, as well. This is, sort of, a very different type of question to build on that. Those are very important public policy issues. And I think some would say that business has, sort of, shirked its responsibility in taking seriously public policy issues. And trying to have an influence in ways that would be helpful for the future. And I know we talked a little bit earlier about those are things that are important to you and you think about. What role does business have? Not only in doing its job as a business, but in helping shape and form public policy?

Ned Barnholt: Well, I think, it should be a fairly big role. I think, unfortunately, thanks to Enron and WorldCom and all these things, and now, the financial problems the last couple of years, business is way down on the totem pole on people's good-guy list. And I think business credibility is not what it needs to be. And I think part of the issue is we haven't built a very good case. The end of the day, we all want jobs. We all want better education. We all want a positive economic future for our country. But that's going to take some investment. That's going to take a supportive environment for business. And I think business has laid out, probably, the macro case. And it's been hard because of all these scandals and other things. And then, we have to go in to look at specific policy areas. There are groups; Silicon Valley Leadership Group, the American Electronics, so there is a lot of work going on in education and in immigration and other things. But unfortunately, right now, people aren't listening. There are other things, kind of, on the agenda. And business doesn't speak with the same credible voice that it probably had at one point in time. When Dave Packard used to speak about the needs of business 30 years ago...

Dean Linda Livingstone: People listened.

Ned Barnholt: ...people listened.

Dean Linda Livingstone: They listened.

Ned Barnholt: And we don't have that today.

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Dean Linda Livingstone: One of the other things that I mentioned briefly in your introduction, and I'll, sort of, use this as my last question, so [to audience] be thinking about what you'd like to ask. I just want you to see a little bit about the areas of interest and things he's working on, if you want to ask more. You're on the Packard Foundation Board. Talk a little bit about what that foundation does, and why that's so important to you, personally. But also, why the Packard's felt like that was something they needed to do far beyond creating a company that's done what it has.

Ned Barnholt: Well, I think the role of foundations in our society is probably not really appreciated very broadly. You know, Dave Packard, Bill Hewlett, Gordon Moore from Intel, you know, there are so many great foundations—Pierre Omidyar now at eBay, Jeff Skoal. You know, there's so many great foundations out there that are really trying to do good things. For me, personally, it's, kind of, closing the circle. I, kind of, feel that I got a lot of opportunities in life because I was lucky in joining HP. And I was there at the right time and was fortunate to benefit from the success of the company. And so before Dave Packard died, actually about 15 years before he died, he set up a foundation for the family to run. To do good for society, with some of the money he made from HP. So for me, personally, to be on the board and help the family makes me feel really good, that I'm helping them and giving back to thank them for some of the things that the company did for me. But the Packard Foundation is very broad. They have three ongoing programs. They give a lot of money, still, to the children's hospital. There's a new campaign to expand that now. So we're giving quite a bit of money to that. The Monterey Bay Aquarium was started with Packard Foundation money. But that became so successful, they spun off a separate research arm, called Monterey Bay Research Institution. That is now one of the top oceanographic research organizations in the world. And we still give them \$30 million or more a year. So that's a big commitment. And then, we have a Fellowship Program, where we take top scientists from around the country. And we give them grants to do research, so they don't have to spend all their time looking for money. They can just go do their research. And that's been hugely successful. And many of these Fellows have gone on to win Nobel Prizes and other things. It's been a very, very great program. So those are ongoing programs. And then, on top of that, the Packard Foundation invests in three major areas. Conservation and science, and that includes everything from buying land to working on things like sustainable seafood. So we don't take all the fish out of the ocean and don't have any left. We have a program in children's health and families, which is primarily focused around preschool and after school, as well as health care for children. And then, we have a program for population. It's interesting. Dave Packard, in the mid '80s, figured out that many of the under-developed countries in the world had no hope of being economically prosperous unless they reigned in their population problems. So he started very early on family planning, reproductive health, women's rights, a whole bunch of issues in underdeveloped countries in the world. And we still give a fair amount of money for that. So anyway, those are the major areas. And it's been great to see. And again, that's just one foundation. Hewlett does a lot of good things, Moore Foundation. So you add up all these foundations, Rockefeller, Ford, Carnegie, I mean, it's...

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Dean Linda Livingstone: Huge impact in this country.

Ned Barnholt: Huge impact. And I don't think people really understand what a difference it—I mean, now Bill Gates, of course Bill is giving a massive amount of money for HIV-AIDS and other infectious diseases. And it's having a huge impact. In fact, we're working with him on some of our programs in Africa on family planning and reproductive rights, because it's linked to the HIV problem. So anyway, it's a great organization, and they do good work.

Dean Linda Livingstone: Wonderful. Thanks for sharing that. I wanted folks to see what kind of a broad influence you're having in the work that you're doing, as well as the resources that came out of Hewlett-Packard's success. So I want to open the floor to see what questions you guys have. So we'll start here, and then, I'll go right over there. We have a microphone, so Paul will start right here on this row. Thank you.

Audience Member 1: Thank you. I want to ask you a question regarding what executives do after retiring. In your case, they go to philanthropy foundations, and there's people from Score who do a lot of things. We have seen a new phenomenon in the Valley, executive after retiring, going to politics.

<laughter>

Ned Barnholt: That won't be me.

Dean Linda Livingstone: In a high profile, kind of, way.

Audience Member 1: And very close, by the way. So I would like your comments about that and if you see this as a blip or the trend. And since you have been in this environment, what are your thoughts about that?

Ned Barnholt: Well, you know, I think any executive that's been going flat out for, you know, 20, 30 years, doesn't want to just stop cold turkey. They want to make a difference. And everybody has their own areas of interest. You know, I looked at getting into venture or private equity. But I realized all my experiences have been about helping HP go global and grow scale. I didn't have a lot, as much, to offer to a small company, as maybe a larger company. But somebody like Meg [Whitman] and Carly [Fiorina], I

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mean, they're still very vigorous and very active and want to make a difference. So they chose the political route. I don't think that's a trend. I don't think you're going to see a huge ground swell of that. But I think it's just two people's answers—well, [Steve] Poizner's the same way. So their answer to "What do I do after I step down? Where I can stay involved?" I, personally, <laughs> give them a lot of credit. I don't know why anybody wants to be Governor of California.

<Laughter>

Ned Barnholt: So when Meg told us, on the eBay Board, that she was going to do that, we said, "You want to do what?" You know, but I have to applaud her for—you know, she's a great person. And if she can make a difference, that's great. But I don't think you're going to see a huge number of people. Let me answer it a different way, too. I think the bigger issue is there's a whole bunch of other people that are retiring now, what I call baby boomers, that aren't CEO's. They weren't, you know, big senior executives in companies. But a lot of those people are still really, really good and very capable. And I think one of the challenges we have is how do we get people like that? Because they don't want to just retire, either. How do we get them connected organizations where they can make a difference? And there's a new program we're actually funding through the Packard Foundation that's called the Encore Program that links executives and non-profits. To give opportunities for them to go and, maybe, find another career in a non-profit. So anyway, it's a big issue. But I don't think politics itself is going to be the answer for most people.

Dean Linda Livingstone: Over here against the wall we had a question.

Audience Member 2: You had mentioned that one of your concerns is education. Would you please elaborate?

Ned Barnholt: Well, I just think when you look at the Valley, so much of it is based on the technical expertise that we have. How many companies came out of Stanford. You know, Sun, Cisco, Google, early on days, Yahoo, HP, eBay. Certainly, you know, Stanford is a huge feeder. Berkeley, other research institutions have been huge feeders for talent. But when you look at the graduate programs there, a large percentage of people are foreign born. They can't get visas to stay. And I think that's a huge problem. And I think the education system, not everybody's going to get a PhD or a master's from Stanford. But when you look around the Valley at all the technology jobs we have, you know, we need people that have good fundamental understanding of science that are creative, that want to apply that creativity and work hard. I had a friend of mine from India come here, tell me one day, he says, "You know, this is the one place in the world everybody comes knowing that you can change your life. You can make a big difference." If you

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work hard and you're smart, you know, you have a chance to change your life. And it's not easy to do that in many other parts of the world. And so we need to take advantage of where we are and what we have going. And make sure that we have an education system, particularly in sciences and math, which provide not just the PhD's and the senior research people, but the people who get the day-to-day work done. And we need a much bigger group of people, and certainly a competent group of people, who can carry forward and keep up with the growth that hopefully we'll have. And again, given the future of where we are with education and the cutbacks in some of the sciences in math, I don't know if that's a slam dunk or not. I think I just raise it as a question, whether we're going to have the capability that we need.

Dean Linda Livingstone: Robin?

Robin: You talked about some of the WorldCom, the Enrons, the financial crisis. I'm curious, in your role as a board member, how you see the evolution of the role of the board, the fiduciary responsibility? And just, kind of, the oversight role that it plays evolving and changing, given some of the recent activities. And just the perception of the board, and are there shortcomings? And how should companies look at that role?

Ned Barnholt: Kind of like being Governor of California, why would...

<Laughter>

Ned Barnholt: Why would you want to do this? <Laughs>. No. Actually, that's a really good question. I wasn't on big company boards in the '80s or early '90s, so I can't compare. But I know, you know, when John Young retired from HP and some of the other senior executives, they were on eight or nine boards. I can't imagine being on eight or nine boards today, the workload and the other things that you have to do. So it's definitely changed. And I think there was a time where the boards were probably more collegial, more social in some ways, friends of the CEO. But I think nowadays, the shift I've seen, particularly since Sarbanes-Oxley and the WorldCom, Enron, is boards really do recognize they have a fiduciary responsibility, take it very seriously. You know, you have to have people on the board—at least, I think, two or three that have really good financial expertise. To be able to do a deep dive and get under the covers and find out what's really going on. I think you have to make sure that there's an atmosphere in the boardroom, where you feel like you're getting good information from the management team. I think a CEO who holds all their cards and isn't very forthcoming, frankly, is probably not going to last very long. Because nowadays, I think boards need that transparency and openness. And some of the discussions are more heated. They are more tense, in terms of is this the right thing for the company, are we doing

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the right things for the shareholders, et cetera. That said, it's really, kind of, a fine line that you always walk on a board. Because at the end of the day, you're also there to advise and consult, as the management team. So one of my roles, I'm actually lead director at eBay. So I spend time with the CEO and we talk about business problems. And we talk about some of the challenges. We talk about the board meetings. So, you know, there's an additional role, other than, kind of, your hardhat fiduciary role, of just really helping the company be successful. And so you have to understand that you need to back off. You need to know when to ask the tough questions, and when to be looking at all the fiduciary issues in a very, very comprehensive way. But you also have to be able to, you know, roll up your sleeves and problem solve and help. And it's a tough balance. But boards have changed. I mean, there's no question that that's very different. The amount of time that all my boards spend on governance and fiduciary issues, and making sure you get the right board. I mean, I would say, a big thing is over the last seven or eight years, there's been a lot of change. Where you're now getting many more independent directors who come at it with experience like mine or others, that have run big companies or been CFOs. So they come at it with a much better perspective of the kinds of questions that should be asked.

Dean Linda Livingstone: We have a question, yeah, back at the back.

Audience Member 3: Ned, you mentioned that change management was a critical skill for successful leaders today. Other than living through it, how would you prepare for that inevitability? How would you best prepare for change management?

Ned Barnholt: Well, I think, it kind of goes back to something I said. I think, first of all, you have to accept the fact that during the course of your career, and the course of any business, you're probably going to have to go through several major transitions. And each one of those could be life or death. You know, it could be a life-threatening transition. So you have to be prepared for that. And then, you have to be able to recognize, you know, when you get to that point that you have to go down a different path and act a different way. For me, it's about looking at where you want to be and where you are. And looking at what are the gaps? And we spend a lot of time in several of my jobs at HP and Agilent looking at—we knew we had this business and going in this direction, but we needed to be in this business. And then, we looked at the skill sets, and we knew the skill sets over here were different than here. We also knew that all of our systems, even our compensation system, all of our internal IT processes, may not line up with this new business. So, once you decide where you need to be, you have to go through a pretty rigorous process to saying, "What are the key success factors I need over here? How are they different from where you are?" And then, you start getting projects in place to take you from "A" to "B." And that's not an easy process. It takes, you know, I think, a minimum of three years, and probably closer to five. The biggest thing, the hardest thing, though, is the culture change. Because it usually involves, you know,

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culture change. I'll share one story I didn't mention in my talk. But going through these things is very difficult on your people. And when we were doing this in HP in the early '90s, and we were trying to get out of the—well, not get out, but really de-emphasize the aerospace defense and move much more into, kind of, the fast moving communications businesses and things. And it required very different skills and processes. And I realized there were three kinds of people: There were people who got it right away. When you said, "I need to go to B," they said, "Okay. I get it. I can go there." And they were running full speed ahead with you. There's a second group that keeps their head down and says, "This, too, will pass. You know, I'll just keep my head down, and they'll ignore it. And they'll have something different in six months." And then, the third group never wants to change. And it's almost a third in my experience. And I've been through this a number of times. The mistake I made is I spent all my time for about six months or a year with that last group, trying to convince them they were wrong. And I finally gave up on that group, spent all my time with the first group. And lo and behold, I got most of the second group to come along. And many, in fact most, of the last group left. And you have to accept that there's going to be some fallout. People don't want to change, and they don't want to go in a new direction. But that's life. People are like that. So it's a cultural change. You've got to change systems, processes, everything. But it starts with a very, very clear articulation of where you're going to go, what's different about where you are today. And what are the steps you have to do to get there.

Dean Linda Livingstone: I'm going to let Warren have the last question here before we wrap up. And one I would like to ask at the end, as well.

Warren: For those who don't know me, I'm a consultant. Ned, I just read in the *LA Times* this morning that over 40 percent of the currently unemployed have been unemployed for greater than six months. I think it's the largest since World War II. And in companies, morale is down, fear is up, money's tight across, you know, personal, professional, everything. Yet, executives are rich beyond anything we've ever seen. Both, in terms of accumulated wealth and continued bonuses and salaries and packages. How do we reconcile this notion of employee engagement and the trust you said—I think trust was, maybe, one of your first or second principles of leadership. Number one, how do we get people motivated and engaged, ready to walk through fire for their leaders when there's this huge disconnect? And then seemingly a lack of trust of leaders who don't really seem to care, or there's so much monetary temptation that they're blinded by the reality of what it takes to run an organization efficiently and effectively.

Ned Barnholt: Well, I think, I wouldn't put those folks on my list. I think there is a real disconnect now. And one of the things that really bothers me, as well, because one of the points I made is that people will follow if they believe that your objectives are aligned with theirs. And you're not out there just to make money, and they're out there working their tail off to build a successful company. That's a real disconnect.

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And so I think there are too many CEOs and senior executives, particularly in the financial industry, who put money first. And I think that's a problem. And I, personally, would like to see it reigned in. I, frankly, don't know which comp consultant they use that can justify a \$100 million annual salary. I don't see it. I don't see anything close to that. So, personally, I think there's a real problem out there. Now, how's it going to get fixed? It doesn't look like the government's going to be able to fix it. You know, I thought, maybe, there would be some success at reigning in Wall Street. A lot of it starts in Wall Street, and it kind of trickles down. But I do think that it's a problem. And it actually comes back, to some extent, to business schools and how people are, kind of, trained. It's very interesting. You don't see as many of the top people anymore going into running companies and wanting to build something. They want to go manage money or be a hedge fund or whatever, because it's all about the money. And I don't know where that comes from, but I think it's a problem. And we've got to get more people who love to roll up their sleeves, get their hands dirty, and build something. And I think it starts with, you know, the education and training. I think it starts with, you know, maybe, the pressure from employees and other groups that are saying, "No," shareholders. Hopefully, shareholders will start voting the bums out. I mean, if somebody's getting \$100 million a year, vote them out. You know, they don't need to be CEO. You can get somebody else. Nobody's that good. So I think at some point, there's going to be a revolt. I don't know exactly what it will be. But I'm, personally, very much against that whole idea. And I think there ought to be some kind of— you know, one of the things we always used to look at in HP is, kind of, the ratio between, you know, what a senior leader gets and what the person down the organization makes. And you've got to keep those ratios in line. And again, one of the problems with the financial industry is not just the CEOs. It's the traders and all these people. So there are hundreds of people that make bonuses that are way out of line. So again, we all give them that because we have stocks and bonds. And, probably, they're taking our commissions and everybody else's and doing that. But some point in time there's got to be, kind of, a revolt to turn that around.

Dean Linda Livingstone: Let me close with this question on, kind of, a different topic. But you've had such a great career, as we've talked about, and you've sort of had almost several different evolutions of that career. So as you look, kind of, at the next three to five years of your life, what are you looking most forward to in the next phase of your retirement?

Ned Barnholt: Well, I don't know what the next phase is.

Dean Linda Livingstone: Or the next three to five years of whatever phase it is.

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Ned Barnholt: Well, I told myself—when I actually stepped down, I was 63, almost 64. That was almost four and a half years ago. So I said, "Well, I'll do this until, maybe, I'm 70, 72 or something," which is coming up a little closer. "And then, I'll see." You know, but I can't ever see just, kind of, cold turkey stop. In fact, I was telling somebody the other day, "The day I stop learning is the day I start to die." So as long as I'm staying active and hopefully doing something useful, then, I think I will try, in some way, to do that. I've done, as I said, a little bit of teaching here and there, a little bit of coaching. And I actually enjoy that. And I enjoy some of the mentoring and things I do on boards. But at some point, I'll probably wind down. Instead of being on four boards, I'll be on two and, maybe eventually one. But I'm not ready to play golf every day.

Dean Linda Livingstone: Well, we're glad to see that, because you're making an important impact. And we really appreciate you being with us today and sharing your insights with us. It's been extremely valuable. Thank you, Ned.

Ned Barnholt: Thank you. Thanks a lot.

