

Dean's Executive Leadership Series - 2009-2010

**Transcript of Presentation by Ned Barnholt,
Founding CEO of Agilent Technologies**

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Start

Dean Linda Livingstone: Well, good evening, everyone. It's so good to have you here for our Dean's Executive Leadership series. We started this series a number of years ago and I guess two or three years ago began bringing it to Northern California, and we try to do a couple of events each year in this area because of our wonderful alumni base and our executive MBA program that we host here at the TechMart. And so by chance this year our two events in Northern California ended up being fairly closely scheduled together so we start tonight and then in a month on—or actually a little less than a month, on May 3rd, we will be back and we will have with us John Figueroa who is the President of McKesson Pharmaceuticals. He's actually—May 13th. I'm sorry. Thank you. Wrong date, so remember May 13th, McKesson Pharmaceuticals, and John is actually an alum and I believe he's going to be our first alumni speaker in our Dean's Executive Leadership series, so we hope that you will come back and be a part of that. And then we'll actually kick off our Dean's Executive Leadership series in Northern California next fall in October when we have Randy Pond of Cisco with us, so we're really excited about ending the season here this year and beginning the season next year in Northern California. I would also like to be sure and thank Farmers Insurance group. We have a member of our board, Faye McClure, who is with Farmers, and they very generously support this series financially and have for several years so we appreciate that very much and makes it possible for us to do this on a regular basis. A couple of things I want to update you on going on in school before I introduce our speaker this evening. We have had a really wonderful year in several respects with some new programs and some new opportunities. I do want to mention we're always interested in sort of how we're doing from a reputation perspective, and I can't give too many details because it hasn't been publicly announced but there is a ranking coming out for business schools that will include a ranking for fully employed or part-time MBA programs. And our part-time MBA program is going to be ranked 51st in that ranking, which is wonderful. There are over 500 accredited

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business schools around the world and so it says a lot about the quality of that program primarily based in Southern California, but I think it just helps affirm what we know about the quality of what we're doing and how it stands up to other programs around the world. We also have had a really wonderful year with our entrepreneurship program. We completely revised the curriculum in that, that really is in our part-time and full-time MBA program and also just had our business plan competition about three weeks ago. That competition is open to all students in all of our programs at Pepperdine and had a wonderful experience, gave away about \$25,000 in prize money at that event and had a student from our full-time program win that competition and really the highest quality business plans we have seen. So I think it's a testament to the quality of the program and how we've seen that develop. Because of that and because of what we're seeing evolve in that program we are also in the process of developing a venture fund and what we're calling an accelerator to really help these new businesses get off the ground and be successful. We're going to be partnering with the law school to do that, and so we're really excited about that. We are still working on kind of the legal structure of that and all the details, but if it's something you're interested in and wanted to know more about there are two folks in the room I want you to meet that you can talk to. So Mike Sims is our Executive Officer for Corporate and External Relations and he and his staff are responsible for this event but he also is working on that program, and then John Shearer. John is new with the business school this year. He is an executive-in-residence with us and he's our entrepreneur-in-residence and he's kind of a technology transfer expert, so he's helping our students as they come up with problems they want to solve to find really good technology solutions to solve those. It will create wonderful businesses that will create value so we're glad to have John here and a part of that. A couple of other people I'd like to introduce in the audience: Robin Washington is a member of our board of visitors, is here in Northern California and an alum, so we're glad to have you with us, Robin, and Susanna Kass who is also an alum and a member of our board of visitors, so thank you both for helping us on the board and for being here this evening. Well, we're here tonight to hear from Ned Barnholt, and it's really a pleasure to introduce him to you and to have him with us. Ned is originally from New York, came east—or came west from New York to go to school at Stanford. He has an engineering background and, as most of you know if you're from this area, spent 33 years at Hewlett-Packard, was very successful there, completed his career there as executive vice president, and then was President and CEO of Agilent Technologies as it was spun off from Hewlett-Packard and Agilent Technologies is real- is a company that really works on measurement testing devices and working with the scientific community in electronics and chemical analysis and led it through some very, very difficult times. And we are just really privileged to have him with us. He now spends his time on several boards including the board of eBay, the board of Adobe, KLA, Tencor Corporation, and he serves on the Packard Foundation Board as well which is doing some really wonderful things in this region and around the country. And so I know if you're from this area you know of him, you've heard him receive many, many accolades, and I would say he's probably a bit of an icon in this region for the leadership he's provided and the way in which he's viewed here for the quality of that leadership for some really difficult situations. So it is our privilege to have Ned with us, and

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so he's going to come share some remarks with us and then we'll have a conversation and then also include you in that discussion at the end of his remarks. So Ned, thank you so much for joining us.

Ned Barnholt: Well, thank you, Linda. I don't think I've been called an icon before but thank you. That's quite a compliment, but thank you for that kind introduction and congratulations to you for all the great things you're doing at the Pepperdine Business School. It's impressive to see the kind of programs that Pepperdine is running both in Southern California as well as up here, so congratulations to all of you that are part of that program. Congratulations also to you for running this very successful speaker series. I'm actually quite honored to be part of this and when I look at the lineup of speakers. I did notice, however, that I was the only retired executive that was in the current lineup but, as my wife says, I'm flunking retirement so hopefully I still have a few useful perspectives to provide. I've actually enjoyed my experiences since I retired as CEO of Agilent in 2005. I do a little bit of teaching here and there, coaching some executives and on boards of both nonprofits and corporate boards, so contrary to what some people think, retirement doesn't necessarily mean playing golf every day and sitting on a beach. In fact, I'm trying to come up with a new word to define what I do and it's not retirement, but I when I retired and stepped down as CEO I started thinking about it and I said, "I spent the first 23 years of my life learning to do different things and then I spent 40 years applying that learning at HP and Agilent,, so what I'd really like to do as long as I certainly can contribute and do it is to share some of those things that I learned in the first 63 years." So this is a great opportunity for me to share some of the lessons that I've learned about leadership, and again I thank you for inviting me to be a part of this tonight. Before I share my perspectives on leadership though, let me give you a little bit more background on some of my experiences at HP and Agilent that helped shape my thinking about the subject. I joined HP in 1966 right out of college. I joined in the research and development part of the company, and when I joined HP it was about \$200 million of revenue and about 3,000 employees. To compare that, when we split Agilent off Agilent in 1999, HP had grown to \$45 billion in revenue and had 125,000 employees so in those 33 years I saw a lot of growth and change in the industry as well as in our company. When I joined HP it was primarily a scientific measurement company, but over those 33 years the company successfully built new businesses in such things as computers, printers, personal computers, consumer electronics, and services. And in fact, if you go back to the founding of HP in 1939 and look at it over 60 years from 1939 to 1999 when we split off Agilent, the company grew at a compound annual growth rate of 18 percent per year. I don't know if there are many other companies in the world that can look at that kind of sustained performance over that long a period of time. So people often ask me, "Well, what is it about HP that made it successful? Why did HP have this kind of track record?" So I've thought about it and I've boiled it down to four major things. There's probably lots more than that, but for me there's mainly four things. First of all, it was a decentralized management structure where people felt empowered and committed to make decisions that actually could help build successful businesses and also grow new businesses for the company. I was very fortunate that I was a division manager at HP at a fairly young age and I had the

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opportunity to help HP get in to a number of new businesses including we made some of the very first measurement systems for testing cell phones back in the early 1980s, long before cell phones became the big rage so that's well over a \$1 billion business today for Agilent. And even some of the very early printers and desktop computers for HP came out of other divisions. So HP's management philosophy is called management by objectives, but with this, each individual felt that they had the freedom to make decisions and act in the best interest of their business or their organization as long as they stayed within a certain framework. The corporate objectives define that framework. There was a set of values. We shared the same HR systems. We couldn't have different pay systems within the company, but within a framework we had complete freedom to build our businesses and grow our businesses the way we saw fit, and I think this is a way that the company was able to stay relatively nimble and entrepreneurial even as it grew, particularly in the early days, and frankly, it was also a very motivating environment to be part of. The second thing that I look to as one of the success factors was a culture of innovation and making a contribution. We never wanted to build too products, and in fact that philosophy became part of the corporate objectives and Dave [Packard] and Bill [Hewlett] constantly reinforced this. We used to have annual reviews where Bill Hewlett and Dave Packard would come around and review the strategy and some of the new products under development at each of the different divisions in the company, but as they walked around and looked at each new product practically the first question out of their mouth was "Where's the contribution?" so all of us kind of learned that we'd better have our ducks lined up and be prepared to answer that question. The third thing was the company made an investment in advanced research. We had product divisions that were doing product development that continued to enhance our existing businesses, but the advanced research lab was separate and their charter was to look over the horizon, see what kinds of new technologies were out there that could make a difference for our business and actually help us get in to new businesses. Inkjet printing is just one of the many technologies that came out of the central research lab. They did a lot of work in our computer business with risk architectures, Internet and other things, so this was, I think, a key thing that kept HP moving forward, not getting complacent with their existing set of businesses. And finally, number four was the commitment into hiring and retaining top talent. Each manager was expected to make this a major part of their job and spent a lot of time on it, and of course part and parcel with this was having a culture where people were valued and had the freedom to make a contribution, which actually allowed us to attract top talent. So word was out on college campuses that HP was a good place to go because you could have this kind of freedom to invent and make a difference. Now I think you've probably all heard about the HP way. Dave Packard and Bill Hewlett's values and beliefs had a huge impact on that management style that we call the HP way, but kind of an interesting story: Sometime in the mid 1980s we decided to stop giving free donuts. Up until that point in time, we used to have free donuts available during our coffee breaks and we stopped for a number of reasons probably one of which was health concerns, but a lot of people complained that the HP way was dead. They had defined the HP way as free donuts so we felt that we needed to go back and do some more work on defining what the HP way really was and wasn't. So we thought about it and defined it and you can visualize three concentric circles. At the outer circle was a set

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of practices like free donuts, like Friday afternoon beer busts that also kind of went away, and a lot of other practices that frankly should change and will change quite often over time. At the middle circle though was a set of corporate objectives, and these corporate objectives were around such things as profit, customers, fields of interest, growth, employees, management and citizenship. And these corporate objectives can change but rarely did, but at the core at the center of this circle is the set of values and beliefs that should permeate everything we do and should last forever, and these values were based on the belief that people want to do a good job and they will do a good job if they're given the proper tools and support and then engaged and motivated employees with the freedom to innovate on how they did a task can be a powerful competitive advantage for any organization. This was the heart of, the real root of the HP way. It was this belief in the goodness of people and that people really wanted to do a good job if given the right support and direction. Now I was fortunate to have been introduced to Bill Hewlett and Dave Packard shortly after I joined the company and these interactions made a lasting impression on me. For example, one day about six months after I joined the company our lab manager came by and asked if I would fix Bill Hewlett's stereo. Well, to make a long story short, the next thing I knew Bill Hewlett was at my desk with his stereo. Now he was called away and said he'd come back and pick it up in a couple hours and, believe me, I was sweating bullets trying to figure out how to fix this thing before he came back. Fortunately, I was able to fix it and was buttoning it up just about the time he returned, but instead of just taking it and leaving he spent the next 45 minutes talking to me about why did I join HP and what did I like about the company, what did I think about my job and what I was doing, asked me about my project and what I was working on, and I came away with this feeling that he was so down to earth and real and it had a huge impact on me and he seemed genuinely interested in me as a human being. And I had similar experiences with Dave Packard and others during those early years and they made a big impression on my thinking about leadership. So I was fortunate to grow up in this environment where I could observe HP, how HP worked and then how the culture of the company had such a profound effect on everything we did. I was also fortunate to have the opportunity to meet and observe a number of outstanding leaders including Dave Packard and Bill Hewlett, and these experiences shaped my own thinking, my own management style, my own philosophy, and my thoughts on leadership. So when I retired, I started reflecting back on my experiences and some of the things I learned over my 40-year career, and with the encouragement of several of my team in Agilent, took the time to write some of these things I learned down as lessons learned. So I have 10 lessons learned about managing through a downturn, 10 lessons learned about managing change, 10 lessons learned about CEO succession, and 10 lessons learned about leadership among others, and so perhaps someday I'll have 10 lessons learned about retirement but I'm not prepared to write that chapter quite yet. So let me share my 10 lessons learned about leadership and give you some examples from my experiences at HP and Agilent. Lesson number one, first and foremost: Successful leaders must build trust and respect in their organizations and they must have integrity and be real. As you can tell from my comments about Dave and Bill, they had deeply held values that not only helped them guide the company but also made them very effective role models for how they wanted others to act. They built trust and respect because they were real and they

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lived those values every day. Everyone in the company knew that they had nothing but the best interest of the company in mind in everything they did. The lesson for me in this is that you need to be yourself and you need to be true to your own values. You can't fake it or people will see right through it. People will follow you if they see that you're competent, honest, sincere, and committed to goals that they believe in. Number two: Successful leaders know it's not about them; it's about inspiring and motivating others to do great things. Someone once said that successful leaders must have their feet on the ground and their head in the sky. In other words, you need to be able to inspire and create an exciting vision for the future but at the same time never lose touch with the people that are going to take you there. I used to say that being a CEO wasn't all that hard. If you listen to your customers and you listen to your employees you're probably not going to go too far wrong, but obviously there's more to it than that, but it's important to remember that it's often the people on the front lines that know best what needs to be done. A successful leader is generally a good listener and is eager to learn from people with direct knowledge of what's really going on. Number three: Successful leaders are hardheaded but softhearted. This was a quote that was often used inside HP to emphasize that successful leaders needed to have the courage to make tough decisions and take personal risk but the compassion to understand the impact of these decisions on others. When the dot-com bubble burst in 2001 we were faced with layoffs at Agilent as our revenue dropped by 60 percent over three quarters and we had only enough cash for a couple more quarters. Well, while we knew we needed to reduce our head count, we set a goal to treat everyone impacted with dignity and respect. I reminded my managers that everyone who left the company was a potential customer or a potential supplier, and as difficult as the situation was we needed to treat people fairly and with compassion. I asked managers all over the world to personally talk to each impacted employee and go the extra mile to help them through the transition, so in spite of our layoffs that year we were number 31 on the *Fortune* "Best Companies to Work For" list and there was an even separate article written about us about how you can lay off a third of your work force and have them still love you. And so I was never more proud of our management team for going that extra mile and helping the company through this very, very painful transition, but this illustrates again how values and beliefs can become a moral compass for you as you make difficult decisions and take difficult actions. Number four: Successful leaders need to be optimistic but also honest and realistic. One of the things I realized is there are a lot of dichotomies about leadership. Successful leaders need to look in the mirror and say, "This business is broken; this organization has huge problems" and not be defensive, but on the other hand, no one wants to follow a pessimist, so successful leaders must also have the confidence that there can be a brighter future and be able to paint a picture of that future and instill that confidence in their team. Now I've seen a lot of leaders, a number of leaders, who were too focused on the negative and too focused on all the problems, and I saw some leaders that had rose-colored glasses on and were in la-la land and neither one of those kind of leaders were successful in the long-run. Successful leaders need both. They need to be optimistic and have confidence but also realistic and down to earth. Number five: Successful leaders focus on the future and anticipate and relish change. Successful leaders are generally externally focused, open to different points of view and are constantly scanning for things that might impact their business. They

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recognize that successful organizations can't maintain the status quo and are constantly looking for ways to change and adapt just like HP did over those first 60 years. I believe that managing change is one of the most important skill sets for senior leaders to have especially today. Number six: Successful leaders know the difference between management and leadership and recognize that you need both. This was a major "a-ha" for me in the early '90s when I was trying to change the direction of an organization I was leading at that time. After the Berlin Wall fell down, our aerospace defense business went away so we were trying to get in to a number of new businesses, and it became clear to me that we had very good management skills to produce predictable results in our old business that was dying but we didn't have the skills to go in to new businesses. And I was making this observation to a group of HR managers at HP and someone raised their hand and said did I know the origin of those two words and I said, "No," and the person proceeded to tell me that "management" had an Italian origin that meant to control, like to control a horse, and that "leadership" had a Germanic origin that meant to find a new path. And to me that really defines the difference, but to be successful an organization needs both. You need leadership to find new paths and you need to produce predictable results or you're not going to be around very long so successful leaders understand the difference and they know that even if they aren't good in both of those themselves, they surround themselves with people who are. And finally the last four on my list: Number seven: Successful leaders set high expectations for their team and are not afraid to deal with poor performers. They have a good eye for talent and provide excellent coaching and feedback to bring out the best of the team. Number eight: Successful leaders know their own strengths and weaknesses and aren't afraid to surround themselves with people who are potentially stronger than they are to complement their skills. Nine: Successful leaders are very good communicators. And 10: Successful leaders can be counted on to deliver on their commitments and have a track record of very good results. Well, that's my list and I'd be the first to admit that it's difficult to find leaders that excel in all of those different areas, but I will submit that successful leaders are generally pretty good in most of them and I think that's one of the things to think about. So the final point I'd like to make is around personal motivation. I never set out to be a CEO. When I started at HP I had not a clue where I was going, but what I discovered is that I really enjoyed what I did and I set out to do every single job that I was given the very, very best I could and to take advantage of all the opportunities I had at HP to learn more about the business, to become a better marketing manager, to learn about finance, to learn more about other businesses in the company. So when young people ask me for career advice I generally say three things: Number one: Find something you like to do and do it the best you can. Number two: Make sure you work in an environment that recognizes your contribution and provides you opportunities to learn. And number three: Have patience. In the course of a 40-year career, you will have lots of ups and downs and your progress will not likely be steady or always up and to the right. The challenge is not to get hung up on the end goals. Not everybody's going to be a CEO or whatever else you think you'd like to be. The most important thing that I've learned over 40 years: That it's not where you end up that's important; it's that you've given it your best; you've made a difference and you've enjoyed the journey along the way. I hope you all have a great journey. Thank you.

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