

Making Tough Choices: A Personal Perspective

An address given to the Los Angeles World Affairs Council
On October 30, 2006 by

Carly Fiorina

I should tell you that my first inspiration for this book occurred when we were being sued over the Compaq merger. For those of you who follow the history of these things you may remember that there was quite a controversial proxy vote and we finally won enough shareholder votes to undertake the merger and then we were sued and we were sued on the supposition that we could not possibly achieve \$2.5 billion dollars worth of cost savings in two and one-half years. We did, in fact, achieve \$3.5 billion dollars of cost savings in a year and a half, but we had to get through this lawsuit before we could actually integrate the two companies and achieve those savings. As I sat on the witness stand and was cross-examined by opposition attorneys for about a day and a half, it occurred to me, based on their questions, that most people didn't really understand how business operates—at least the way I saw it. I was asked a lot of questions about setting goals and setting priorities and how people achieved goals and priorities, and it occurred to me that one day I would write a book about business as the story of people. Business is, of course, about products and profits but people produce both and if you want to change the product and the profits of the business you have to change what people are motivated to do. And so I thought, some day I'll write that book. Then I got fired and then I had time to write the book.

I decided early on that I wanted to write an authentic book, and authentic meant to me a couple of things. First, it meant that I would write it myself, so for better or worse there is no "ghostwriter," there is no collaborator—every word is my own. It also meant that I was going to tell real stories, real stories about myself and real stories about the people that I had met along the way. Of course, authenticity is not always welcomed, because when you tell real stories some of them are good and some of them aren't so good. But that is life and it is business as well.

So, I'd like to begin tonight before I take your questions by telling two stories out of that book and, no, I'm not going to tell the story of my firing but I will reassure you that it is in the first two pages. I put it there so that you won't rush to the back to read the good part. I wanted you to actually get it over with and read the rest of the book. I also put it up front because I concluded that if I could not deal authentically with being fired then you probably wouldn't believe the rest of the book.

So, I'm going to tell two stories. One occurred in South Africa in 2004. I happen to believe very strongly that a global company has global responsibilities. Of the top 100 GOPs in the world, 52 of them are companies, and so a company can make a positive difference in the communities and in the countries in which it operates. Hewlett-Packard by this time was an \$87 billion company operating in 176 countries with 160,000 employees, and we invested deeply in communities around the country

and around the world to build capabilities in those communities. We invested our people, our time, our money.

One of those communities was in a small village in South Africa. President Mbeki and I had inaugurated our investment in this community two years earlier and I was returning to this village to assess our progress. I learned the story of a young man named Sali George Missinga. Sali George was a young man who had come from a nearby village. He didn't have much of an education or much opportunity, and he had been hired by Hewlett-Packard people working with the community leaders to move boxes of technology from one place to another.

But Sali George had a curious mind and he pretty soon started asking about what was in the boxes. Pretty soon the HP engineers were teaching him about what was in the boxes, and within a year Sali George had become so proficient that he became technical support. Hewlett-Packard people would send him to the nearby university to tend to equipment that had difficulties, etc.

So when I met this young man whom I had expressed an interest in meeting I said to him, "You know, Sali George, I'm very impressed with your story. Your president will be visiting here later this afternoon and I'd like to introduce you to your president." This young man looked me dead in the eye and said, "Good. I think you should. I think I deserve it." Now, that of course, spoke volumes because this young man had not only discovered a whole set of new opportunities and possibilities in his own life but he had gained self-confidence. So, later that day it was my privilege to introduce President Mbeki to several thousand community leaders, but before I introduced them, I introduced Sali George and I explained Sali George's story and asked him to stand and everyone applauded him. Then I invited President Mbeki to give his remarks and President Mbeki spoke for two minutes—no more—and then he said, "Sali George, I'd like you to finish my speech for me," and Sali George took the podium and gave an impromptu and impassioned speech about the difference that people in technology had made in his life. At the end of that speech the president said, "Young man, I'm going to send you to college."

Now, I'm going to tell you another story. I graduated from Stanford University with a degree in medieval history and philosophy. I was unemployable, so I went off to law school because that's what my parents wanted me to do. I was a parent-pleaser. That's what I did as a child—I pleased my parents. I got into law school right here at UCLA and after a semester it was clear to me that I hated it. So, I made the first tough choice of my young adult life and decided to disappoint my parents. It occurred to me then that pleasing my parents wasn't a sustainable life goal. It also occurred to me then that I would have to have passion for whatever I did. So here I am, a law school dropout with a history degree and I have to pay the bills. The only way I knew how to pay the bills was to go to work as a secretary because I knew how to type. I went to work as a secretary. I typed, I filed, and I answered the phone at a real estate company that was one block from the current headquarters of Hewlett-Packard. I didn't think the job was beneath me—I thought I was lucky to have a job. I had no sense of a career in business until one day, after I'd been there about six months, two men came to me and said, "You know, we've been watching you and we think maybe you can do something more. Would you like to learn more about business and doing deals?" And by the way, that was the first time that it ever occurred to me that maybe business would be for me. Meanwhile I

had to go off and try a few other things—I ran away to Italy and taught English for a year, but eventually I got an MBA.

But I tell you those stories because I can illustrate the essence of leadership. Whether it was those two men earlier on in my life or whether it was the president and Sali George, leadership is all about seeing the possibilities. Leadership is all about seeing the possibilities in other people and in the circumstances. A leader's job is to help people achieve more than they think is possible. A leader's job is to see possibilities, seize possibilities and create possibilities where none existed before. Of course, one of the difficult things about leadership is that sometimes you have to see things that others don't quite yet see.

Leadership is also all about change. There's a difference therefore, fundamentally, between management and leadership, or making money and leadership. Management is about producing acceptable results within known constraints and conditions; making money is about investing wisely. But leadership is about changing the order of things. Leadership is about making a positive difference.

Now, of course, there are some interesting things about change. Change is always resisted—always. It's human nature. I talk a lot in this book about fear – my own fears and the fears of the organizations that I've had the privilege to work with, because fear is one of the reasons people resist change. If you want to motivate people to change, you have to understand their fears. In the case of Hewlett-Packard the fear was that we would lose everything if we attempted to change anything. Therefore, the company had become brittle, it was lagging further and further behind, the history had become mythology and no one was brave enough to tinker with that mythology.

But change is also resisted because the natural momentum of any organization is to preserve the status quo. The reason for that is that the people who have positions of influence and power want to keep them and so seek to preserve the status quo. To change requires overcoming the instinct to preserve the status quo which can be incredibly powerful. That is why change takes so much will and so much energy. It is why I don't think the term "change agent" is sufficient. I think you need "change warriors," in fact, because that's the kind of energy and will that it takes.

I'll tell you another story. I was giving a lecture at a university and after I spoke to the many students there it was time for questions and one student raised her hand and said, "What can you tell us about work/life balance?" It was, of course, a woman student because women always ask women about work/life balance. The next student raised his hand and said, "You know, have you ever thought about starting your own business, and, if so, is there any advice that you would give those of us who are thinking about becoming entrepreneurs?" and a third student raised his hand and said, "You know, I really don't like my major very much and I understand that you were a law school dropout and I wonder if you could give me some words to tell my parents?" I said, "So, in other words you want to tell your parents that Carly Fiorina thought it was okay to change your major?" and everybody laughed, yes. Now, there's nothing really remarkable about that story at all except that it happened in Tsinghua University in Beijing, China. Tsinghua is where all of the Communist leadership has been educated for decades. Every question was asked in perfect English. When I reached my home I had thank you letters from many of these students. That is one of the reasons why the 21st century

is an entirely new century, unlike any we have ever experienced before. Remember, I was a history major so I tend to think about history.

There's another reason this century is different than any other, and that is that change is necessary even when it is resisted. Every physical process and all analog content is being transformed to digital, mobile, virtual and personal. And if you doubt that, I will tell you the parable of Kodak and Hewlett-Packard. In 1999, when I arrived at Hewlett-Packard, Kodak was sitting on a vast mountain of profitability from the traditional film business. 1999, you will recall, was only seven short years ago. Photography is a physical chemical process, traditionally. You had film in your camera, you took a picture, something physical happened, you took the film down to the Wal-Mart and it was developed in a physical chemical process, you picked up prints, you took them home, you mailed them, you put them in a photo album. That's how people did it seven short years ago. Today, how many of you have a camera on your cell phone? The truth is that all photography is digital. The truth is the camera cell phone is the most ubiquitous photographic device in the world today. When you think about things like My Space, You Tube, on-line Gaming, Fantasy Baseball, the reality is that virtual reality is as compelling, as commercially successful in many cases, as physical reality, and personal in the sense that the individual is more and more in control and wants to be in control—not the institution, the individual. That's what My Space and You Tube are about. That's why traditional media is having difficulties. This is a brand new world and the dotcom boom and the dotcom bust represented the end of the beginning of the transformation technology is driving in our businesses and in our lives.

I tell you all those stories about people against the backdrop of a century that is changing fundamentally and inexorably because of both technology and globalization, because I do think that leadership is all about people. One of the things that I didn't know when I was a secretary is that people are people, wherever you find them. When I was a secretary in the mail room I thought people in those big powerful positions were somehow fundamentally different. It turned out they were not. It turns out that people everywhere are sometimes driven by fear and sometimes inspired to move beyond it. It turns out that people everywhere sometimes hold their positions with honor and integrity and sometimes don't. It turns out that people everywhere sometimes can be overcome by their egos or their ambitions or their personal agendas and some people can put those aside and focus on a greater good.

In the case of the merger with Compaq and Hewlett-Packard and the case of the transformation that I was asked to lead at Hewlett-Packard, when I arrived I found a company that was lagging further and further behind. In 1999, in the middle of the biggest technology upturn in history, the company had missed nine quarters in a row. At the same time, employees were receiving record bonuses. It wasn't because they were bad people, it was because the matrix of success inside the company had nothing to do with competitive performance outside in the real world. A company that was a technology innovator once was no longer innovating, and it no longer found itself even in the top 25 innovators in the world. A company that used the phrase "the HP way" to mean we can't change anything. People used to say, "Well, we don't do it that way. It's not the HP Way." And so this was a company that actually had to go back to the fundamentals of the HP Way—fundamental values like innovation.

If innovation is important we must do it, we must invest in it, we must measure it, we must value it, and so we did. By 2001 we were generating three patents a day and in 2002 we were generating five patents a day. In 2003 and 2004 we generated 11 patents a day and we became the number three innovator in the world. We had to undertake a complex and, yes, risky merger to restore the company to leadership, which it clearly did.

And, yet when we undertook that merger most did not understand what was happening in the technology industry. Most did not understand that its consolidation was inevitable. Most did not understand that if a company was not leading, it was lagging. Remember Kodak? Kodak in the 2003-2004 timeframe suddenly declared that they figured it out—that traditional photography was dead; that they had to make the switch to digital and absolutely everybody, agreed with them, which meant that it was probably too late. Today, Kodak as a brand survives, but it's not clear the company will, which goes back to the difficulty of leadership. Leaders have to see things while there's still time to act, which means frequently you have to see things before it's obvious to everyone.

One of the reasons we could undertake a merger like Compaq is because of the quality of the decision-making process that we used. We deliberated for nine months; we examined every alternative, we examined every risk, every downside, every fact, everything that could go wrong. So, by the time we made the decision, we knew that it was the best option. We knew that we could overcome the risks, we knew we could integrate the companies. That decision was unanimous just as every other decision of the board during my tenure at HP was unanimous—other than the last one, but that's another story.

Now, one of the things I know from that experience is the quality of the decision-making process has much to do with the quality of the decision, and when a leader has a very tough decision to make, a leader has to step back and ask about the quality of the decision-making process. Has every point of view been brought to the table? Has every debate been heard? Has every alternative and every risk been examined? One of the things that I know about business and about making tough choices and about organizations and how to lead them, is something I learned from my parents. The first sentence of the first chapter of the book begins with the sentence "How a story ends has much to do with how it begins". So, I must begin with my mother and father, because it was my mother and father who taught me about authenticity, who taught me about character and integrity and honor, who taught me that in the end when you have to make those tough choices you must say to yourself, "am I doing what I believe are the right things, for the right reasons, in the right ways, to the best of my ability?" I know that judgment, perspective, ethics, values, these are things that a leader must instill. If a leader does not, it has a corrosive effect over time in a business or in a family or in any institution.

I worry as a business person, I worry that every time we have a corporate scandal whether it's Tyco or Enron or backdating stock options or even pretexting at HP. Every time there's a corporate scandal there's a lot of discussion about which rules weren't clear, which laws need to be rewritten. One of the discussions we ought to be having more of is, what about ethics? What about values? What about judgment? What about perspective? Those are things you can't fake, those are the things you can't legislate, but they make all the difference in the world in how business or politics are conducted.

I said at the outset that this is a different world that we are living in today. I believe that. I think the dotcom boom and the dotcom bust were the end of the beginning. We have now entered a long-term phase of both globalization and the impact of technology. When I led Hewlett-Packard my job was to make tough choices, to ensure that we could compete in the 21st century, to ensure that we would be a leader once again, because that is what our proud legacy demanded of us. I think our nation faces some tough choices as well as we think about competing and leading in the 21st century. I know from the study of history that political power has always been based on economic power—always. And so as a nation we have to be thinking about how we retain our economic leadership so that we can retain our political leadership.

I think our competitiveness relies on three things: First, education. Education is, of course, a much more important and much vaster issue than Hewlett-Packard, but change, lasting change, transformational change, has some common elements to it. One of those common elements is you must begin with urgency but also be realistic and patient because transformation takes time. Success is never easy and it's never quick. One of the things that change in business takes is to understand what we all agree on, and I worry that our debates about education are always about what we disagree on. I worry that our political dialogue in general is all about what we disagree on instead of starting with the things that we can agree on.

The 21st century is the century of brain power, and the country with the best brains is going to win. I happen to have written my thesis at MIT on education so it's something that I've thought long and hard about. I think not only do we have to educate our brains, but we also have to educate our children's hearts and their characters. I was very fortunate as well that my parents insisted on an education that included history and music and art and literature. These are things that build perspective, that build character. And while math and science are incredibly important because they are the language of the 21st century, so are the things that strengthen character and build values.

Secondly, just as Hewlett-Packard had to go back to innovation, so this country has to invest in innovation as well as education. Whatever you think of global warming I view it as a great opportunity for innovation and this country should seize it not for political purposes but so that we will be focused on driving innovation. That is how this country has always led.

Finally, in addition to education and innovation, this is a country that I think must embrace immigration—not to the detriment of our security—but this country has always led because the best, the brightest, the hardest-working, the most motivated people wanted to come here to build a better life for themselves and their families. I do not worry about people choosing to be educated here; I worry about them choosing to leave here after they have been educated.

I will close by saying that I think leadership is all about the possibilities, seeing the possibilities, seizing the possibilities. I think leadership also requires great balance. Many Asian philosophers have talked about "balance." I think balance is the art of leadership—the balance between humility and confidence. Leadership takes confidence: You have to have enough confidence in the decision-making process that you employ and in your judgment to make the tough choices. Without

confidence people will not follow. But on the other hand, leadership also requires great humility, the humility to know that nothing worth doing can be done by a single person acting alone, the humility to say "I don't know. I made a mistake," the humility to seek points of view from people who disagree with you.

Leadership also requires, I think, the right balance between realism and optimism. Change cannot occur without clear-eyed realism. How hard will it be? How tough are the tradeoffs? How difficult will be the consequences? What are the risks? How do we mitigate against them? And yet leadership also requires optimism because optimism is the belief that things can be better, optimism is the belief that people will set aside their petty issues and focus their energies on a goal larger than themselves. Optimism is fundamental trust and faith in the goodness and common sense of people, and trust and faith that people will take the journey to create a better future.

Thank you very much.

www.lawac.org

**Speeches are edited for readability and grammar, not content.
This is a "first draft" transcript. A more fully edited version will be posted
online around the end of the season (September).
The Los Angeles World Affairs Council is a non-profit, non-partisan
organization.**