

Renewing Success with A New Vision

An Interview with Michael H. Jordan, Chairman and
Chief Executive Officer, EDS, Plano, Texas

EDITORS' NOTE *Since assuming his post earlier this year, newly appointed Chairman and CEO Michael Jordan staunchly maintains EDS is a good company that will only get better. Jordan has found a company that, he says, is solid, with a reputation for service excellence "second to none." With such fundamentally "sound DNA," as well as EDS's cost competitiveness and organizational presence around the world, Jordan is confident the business can and will grow. After all, he notes that the core business of outsourcing is a "valuable profit-improvement tool" for client companies and, thus, "a growth business." Going forward, Jordan intends to focus on EDS's core outsourcing business and pursue initiatives that provide the greatest potential for EDS. For, at the end of the day, the chairman and CEO concludes, "Our key objectives are to grow the company, improve our offerings, invest in new sectors on a selective basis, and ultimately continue to be successful."*

Prior to joining EDS in March 2003, Jordan had retired as chairman and CEO of CBS Corporation (formerly Westinghouse Electric Corporation), a dual post he held from 1993 to 1998. Before that, he was a partner with Clayton, Dubilier and Rice, a prestigious private investment firm; spent 18 years with PepsiCo, Inc., where he served in numerous senior-executive positions, including CFO, and president and CEO of PepsiCo WorldWide Foods; and was a consultant and principal with McKinsey & Company. Also chairman of eOriginal Inc., as well as a partner of Beta Capital Group, LLC, and Global Asset Capital, LLC, Jordan holds a B.S. from Yale University and an M.S. from Princeton University and served a four-year tour of duty with the U.S. Navy.

COMPANY BRIEF *Headquartered in Plano, Texas, EDS is the leading global services company, employing 135,000 people in 60 countries and serving more than 9,000 clients in a range of industries. EDS provides strategy, implementation, business transformation, and operational solutions for clients in business and government around the world, by*

bringing together the world's best technologies to address clients' critical business imperatives. EDS reported revenues of \$21.5 billion in 2002.

You joined EDS just a few months ago. What excited you about the opportunity?

I've lived in Dallas, on and off, since 1977, so I've been familiar with EDS for 20 years. I know many of the founders well and followed with dismay the issues the company went through last fall. At that point, I had four years' experience doing private equity investments. But when given the chance to come here, I realized how much I missed the excitement of being with people and helping to create, transform, influence, and guide. So I guess you could say I jumped at the opportunity. Before I knew it, the words had come out of my mouth; I said, "Yes."

Since that time, I've found a company that, at the operations level, is very strong. However, I think we have a great need to focus and simplify, and become more competitive in our core business. I do think that in serving the clients on the front line, we're a very strong company with sound DNA. Let me give you an example: We were in trouble with one of our clients who was going through a bankruptcy and having serious difficulties renegotiating our contract. At one point the client stopped paying us to get our attention. In the end, the relationship was successfully concluded, and the client CEO, who I've known personally for several years, said what amazed him, was that the level of service EDS provided to his company never faltered, even when we had negotiating problems; the EDS team on the ground continued to deliver 110 percent. It's a very good feeling when clients give us that kind of praise because I know that, no matter what problems occur, we can fix them.

Because of the economic downturn, CEOs across all industries are facing great challenges in terms of growth. Have you seen an effect on the growth of EDS's service lines, and are you optimistic about short-term opportunities?

I think the business can grow. Our core business of outsourcing, including the revamping of organizations' billing and other major systems, is still a growth business. Certain areas have seen cutbacks as clients have less discretionary spending today. But our core outsourcing business is a valuable profit-improvement tool for our client companies, and as such, it's a growing area. EDS and IBM are the leaders in this industry, but each of our market shares is relatively small, so we still have a lot of room to grow.

Since your arrival, have you placed a major emphasis on developing a new management team? Will there be many personnel changes at the executive level?

EDS has a lot of very talented people. The new senior-executive team comprises myself; President and COO Jeff Heller, who has been with EDS for 34 years; and Executive Vice President and CFO Bob Swan, who came on board in February and has an impeccable record from TRW and GE. This is the core senior team that directs the company, but we also have a lot of excellent people throughout all levels of the organization and we'll add more.

As we decide how to proceed going forward and map out our future emphases, there will be organizational changes, but those are only natural. Whatever we do, developing our people is still the most important objective in our minds. This company has been through some shocks and some disappointments. So the senior management team, led by myself, is very sensitive to understanding how to restore enthusiasm and trust in the organization. That's our major goal, even more so than short-term financial performance.

It seems that people are, by nature, adverse to change. How have you been able to reassure your employees and convince them of the certainty of your vision and the future of the company?

As a company, EDS has always taken issues of communications and morale very seriously. Early on, Jeff Heller and I did a brief video broadcast to the company that was quite well received. Today we com-

municate, first and foremost, through our town-hall meetings. I recently had an hour-long talk with 30 people from various categories of the company. I let them ask questions and gave them the most frank and honest answers I could, which they appreciated. I did the same thing recently in St. Louis with a group of 300. Obviously, a lot of the questions asked are about factors that might affect employment, but people also ask: "What's going to happen to the company? Are we going to pull through?" And I can answer these questions optimistically because I feel strongly that EDS is a very good company that will only get better.

A relatively short period of time has elapsed since you began your tenure, but do you predict that EDS' service offerings will remain consistent in the future? Are you planning to introduce new services?

It's too early to tell. We believe the IT outsourcing business Ross Perot [founder and former CEO] built is still a very good business, and we still have many opportunities to make it grow. We also have a number of initiatives through which we can further position the company in business process outsourcing. Going forward, we'll continue to pursue those opportunities and initiatives, investing the heaviest in those that have the greatest potential.

How would you define EDS's key goals and targets for growth?

We're evolving with our business, focusing on our core. We're developing a new way of looking at our business and our financial goals. Fundamentally, we want to grow the company, and that's a key initiative. We had some financial issues last year, but we're confident those are behind us now. Our key objectives are to grow the company, improve our offerings, invest in new sectors on a selective basis, and ultimately continue to be successful.

It's essential to the morale of any company that its people believe they're part of an organization that's on the move, accomplishing things, growing, competing, and winning. It's important, of course, to have a winning culture, and we certainly celebrate when we win bids. But when we lose, we take time to dissect the situation. We ask ourselves why it didn't work to determine what the reasoning was and we figure out what we should do differently going forward because this is a learning organization.

The outsourcing industry is, of course, a very competitive one. How do you demonstrate to potential clients what separates EDS from the pack?

First of all, we bring our clients innovative ideas that show how our products and services differ from those of our competitors. The fact is, we have a unique vision and insight into how the systems we install will work. Our goals are aligned with our clients' needs, not a hardware product portfolio. In addition, we

try to be as cost competitive as possible.

Beyond that, our reputation for service is second to none. In fact, we have some former IBM people in our organization who say we may sometimes be out-marketed by IBM, but they can't deliver the level of customer service EDS does. I believe that to be true. To that end, we reference our existing clients when we're planning new opportunities. We refer prospective clients to companies that have been working with us for 10 to 20 years so they can hear those success stories.

In operating a technology-driven

being developed every day, primarily in the United States, but overseas as well. It's our role to stay abreast of that technology – to understand how it can be applied to our business and to take a leadership position in backing technologies that we think can have a major impact in the future.

Is it correct to suggest that, no matter what technologies come into play, yours is still a people business?

It's absolutely a people business. If someone in one of the data centers decides to leave early and doesn't solve a problem, that can cost us millions and millions of dol-



business, it must be essential to stay on top of new technological developments. How closely does EDS watch that world?

We're in the business of extracting value from information technology. New technologies are being introduced all the time. Whether it's hardware, developments, efficiencies, software, control networks, or provision, new technology is

lars. So ensuring the loyalty and dedication of our people to our clients is a priority. In fact, it has been a hallmark of EDS's services, and we intend to keep it that way.

Is it important to be a global player in your industry? Is size and scope imperative for future success?

Yes, I think it is. There are very few competitors that can handle the operations of major global corporations. EDS

can. We think having the ability to offer an organizational presence literally around the world is a great advantage.

In which countries is your business currently the strongest? And which geographical regions present the best growth potential for EDS going forward?

The United States and the United Kingdom are our strongest markets, and we still have many growth opportunities in both of those countries. Our current challenge is to grow our presence in Continental Europe and Asia Pacific. We're still underrepresented in Continental Europe because, up to now, many European companies have been reluctant to take steps toward outsourcing. But after several years of economic problems in Europe, business leaders are starting to realize that they're going to have to pursue avenues such as outsourcing to survive and prosper. So we're now seeing an interesting trend in Europe, and we're determined to capitalize on those opportunities.

In light of the recent challenges EDS has faced and the changing of the executive guard, does the financial community effectively understand the company's future path?

We recently briefed the Wall Street community on our strategic vision and plans. We know there are certain issues on people's minds and we have to find ways to systematically knock down those issues and provide insight into our business with greater clarity. I believe we're up to that challenge. It behooves our new management team to be very aggressive when explaining our vision, but we shouldn't over-promise or gild anything. Instead, we should be absolutely honest and forthright in stating what we see as problems and in explaining how we'll address them. This way, Wall Street can accurately measure our performance.

It seems as though it would be difficult to balance the need for long-term investment with the need to meet investors' short-term expectations for financial returns. Is it possible to achieve such a balance?

Fortunately, the emphasis on quarterly, short-term results has lessened. The financial community and a number of companies have refused to get into the meticulous process of trying to beat expectations by a penny per share, which was the drill for many companies over the past four or five years. I think the investment community is now much more focused on understanding the fundamentals of what's happening in a business and understanding what a company needs to do to improve those fundamentals and grow. As a leadership team in a major corporation, we lay out our story and develop our strategy and financial goals with the long-term success of the company in mind. I once heard it said that success is doing the right thing and being willing to take the conse-

quences. That's one of my favorite quotations, and I think that's what we're doing.

How do you budget your time in balancing so many factors of the business, including management, internal day-to-day operations, and client contact?

We have a number of change initiatives that we're working on right now, in terms of investment strategy, cost competitiveness, and so forth. I currently spend about 25 percent of my time on those initiatives and another 25 to 30 percent of my time contacting clients or visiting with them. EDS is a very pervasive organization, so it's important to go press the flesh, let the people see and hear you, and let them ask questions. My personal task is one of problem solving. The group task of our leadership is the improvement of our operations. This is where I spend the balance of my time.

So maintaining personal client contact is priority for you. How are you able to find time to do so when running a global organization?

I just make the time, frankly, because we're in a service business. When I was at Westinghouse or Frito Lay, visiting with customers was still important, but we were selling an objective product, and I simply smoothed the way for the customer's purchase. In a service business, however, the customer's perception of what you do is just as important as the reality. Therefore, it is important for me and for Jeff Heller to get on a plane and go see people. We have to figure out where any issues may be and deploy the resources to fix them as soon as possible.

What are some of those key change initiatives you mentioned?

We still believe our core outsourcing business is the major value we can offer. Through both technical innovation and further enhancing our cost base, we're looking at ways to improve our competitiveness in that arena. We believe business process outsourcing is still a major opportunity for us, and we're looking at ways to focus on a more limited number of initiatives through which we can truly bring our expertise to light. We have the resources to support our expertise and to take a long-term view, so those are the kinds of initiatives we're looking at now.

The public's perception of businesspeople has changed as a result of recent corporate-governance scandals and the failures of many high-profile companies. Are you concerned that the whole business world is being painted with one tainted brush? And are you optimistic that businesspeople will eventually regain public trust?

By nature, I'm an optimistic person, and the business world has gone through cycles before. Four years ago, when there was the cult of the high-profile CEO, CEOs were regarded as all-knowing and all-Ameri-

can, and now the public's perception is that they're a bunch of bums. Ultimately, I think we'll get through this. I think the new corporate-governance legislation, while awkward and in some cases conflicting, is being taken very seriously. But of course, this is a PR cycle, so we just have to keep our heads down and plug our way through it.

Do you feel that there is an effective working relationship between business leaders and the public sector? Have business leaders been effectively involved in developing legislation?

I think it is an effective relationship. Over the past 10 or 12 years, the business community has become much more organized and proactive in dealing with both the presidential administration and Congress. Business organizations, such as the Business Roundtable, are much more effective than a decade ago. This is because business leaders commit their own and their company's time, in conjunction with other companies, to address major issues that are important to the economy and to their companies. Whether discussing tort reform or asbestos litigation, the issues addressed by these groups affect everyone and can add dollars to everybody's grocery bill over time. If the business community doesn't stand up to be counted and take a very proactive stance, the activist groups will run all over us, because they have greater access to the media. So we'll just have to keep plugging away at that; it's very important.

You've worked closely with many executives over the years. If I were to ask them what it's like to work with you, what do you think they would say?

They would say that I appear to be very low-key and laid-back, that I'm a very good listener, and that I ask very tough questions. Many of them will say that I'm cheap, too.

In imagining the course of your career, did you ever picture yourself running a major public company? Was that a personal goal of yours?

No. I had some other opportunities to do so, and they didn't interest me. As a matter of fact, I sat in a board meeting last fall, and as we were being briefed on Sarbanes-Oxley, I said, "A person would have to be out of his mind to become a CEO of a public company." But here I am.

In running a global company, how difficult is it to truly get away from the business and relax?

Last weekend, I was with my wife, and I was using a handheld mail device. She looked at it and said, "What are you doing?" And I said, "I'm going over my e-mail." And she said, "Not six months ago, you said how you loved the old days when you would just pick up your messages on Monday." Now people want your pager number, your e-mail address, and your voice mail. So I guess I'm back in the fray; I never get away, but I get a lot done. ●