

### HIGHLIGHTS: 1998 - 2000



When CEOs and other thought leaders gather, the conversation is sure to include some consistent threads: themes like leadership, culture and coherence. But in a truly interactive forum among peers, the discourse will also surprise and enlighten with insights gained from diverse views.

The CEO Summit, hosted annually by Booz•Allen & Hamilton, Broadview International and Korn/Ferry International, has emerged as one of the leading meetings of chief executive minds. The format is informal, prompting a rare degree of candor from participants. The setting, at The Inn at Spanish Bay, is spectacular; and the golf, at the incomparable Pebble Beach, is challenging but collegial.

The theme of the conference, since its inception three years ago, has remained the same: Leadership in the Digital Age. But while speakers are sure to describe the special challenges of managing in an era where cycles are measured in gigahertz, they are also sure to return to more timeless issues: the need for values, the need to satisfy a company's multiple constituencies of customers, shareholders and employees.

Whether they lead a multibillion dollar member of the Fortune 500 or a brand new startup, CEOs face certain common tasks, which have emerged as focal points of the CEO Summit. These have included building organizations that foster leadership; managing post-merger integration and making strategic alliances work; and attracting and retaining the best people.

### BUILDING A CULTURE OF LEADERSHIP

As **Bruce Pasternack**, senior vice president of Booz•Allen & Hamilton, points out, many chief executives would like decisions to be made without their personal attention, but struggle with how to enable individuals to make the right decisions.

"The frustration that many CEOs express is that it is hard to get people in the company to be able to do the right thing instinctively, to know what to do when they have to make a decision, to not have to go through lots of layers or hierarchy," Mr. Pasternack said. How is that accomplished? **Mark Leslie**, chairman of Veritas Software, described a culture where the voices of indi-



viduals are heard, regardless of rank. "We have true freedom of expression. People really can say whatever it is they believe. All the people who work for me know everything that I know, everything. There are no secrets in the company, and we really do have a true delegation of authority."



Veritas has built for speed by building a company of empowered individuals. "I believe that the sense of accomplishment and work is related to the ability to see how the specific individual contribution impacts the whole," Mr. Leslie said. "If we can break the whole down into smaller pieces we can increase the sense of participation of the individual. The most important thing I do is create an envi-

ronment for people where they can work productively and achieve their objectives and a sense of self-actualization in an environment of trust and openness.”

**Harry M. Jansen Kraemer, Jr.**, chairman and chief executive of Baxter International Inc., a global medical products and services company based in Deerfield, Ill.,



used an unusual compensation plan to create a culture of growth.

“Baxter, like many big companies, has stock option plans and that’s great,” Mr. Kraemer said. “If the stock goes up everybody does well, if the stock goes down it’s an opportunity lost but not

the end of the world. What we basically decided to do five years ago was to create a plan where we would highly encourage the top 70 people in the company to take out on average \$2 million personal loans in Baxter stock,” he said. “To say that that resulted in a slight change in attitude is an understatement.”



**Edward (Ned) Barnholt**, president and chief executive of Agilent Technologies, on the lessons learned since spinning out of the Hewlett-Packard Company: “We manage by what Dave Packard used to call management by objectives. This has allowed us

to go fast and adapt to all the market changes over the years. All decisions don’t have to come to the CEO,” he said. “I think pushing decision-making down at lower levels does allow you to move faster, but to be able to make that work it is very important to have clear alignment around goals and missions and values.”

### MANAGING ON INTERNET TIME



What exactly is different about operating in an Internet environment, on Internet time? **Eric Schmidt**, chairman and chief executive officer of Novell Inc., summed it up as the shift from a transaction-based economy to a relationship-based economy. “Any rela-

tionship which is fundamentally transactional is subject to destruction by this new model, because it’s so easy now to switch suppliers and so easy to switch brands.”

“The implications of a completely interconnected world are fundamental and inevitable,” Dr. Schmidt said. “They’re disintermediating, they’re value shaping, they’re problem-creating, they’re solution generating. It is going to happen and it’s going to happen faster than you want it to, so get your act together.”

The Internet is all about speed, but speed should be something you force upon competitors, according to **Mitchell Kertzman**, president and chief executive of Liberate Technologies. “There are two ways to get speed. One is to cause speed and one is to have to react to speed. I would urge you to think about what you can do, not just in your organizations to be able to operate quickly, but to put the speed curse on your competitors. Make them have to react to you without the time that you have,” he said.



### MAKING MERGERS & ALLIANCES WORK

Like an initial public offering, a merger or acquisition can represent a second “startup” for a company. And just as with an IPO, the hard work is not in going public, or in doing the deal; the hard work is in making the merger work after the deal closes. “The real work in whether a merger works and how great a merger is or how successful an acquisition is, is how the company performs post transaction,” said **Paul Deninger**, chairman and chief executive of Broadview International.



In an industry where the average life cycle of a product is 18 to 24 months, missing an opportunity by six to nine months can cause a company to miss the market completely. “We make up for mistakes by acquiring companies,” said **John Morgridge**, chairman of Cisco Systems. A company that relies on acquisitions must find a way to retain the CEOs of the businesses that it takes over, he said, especially in a high-tech environment, where the most important asset is the people. “It’s a big challenge if the spiritual leader leaves,” he said. “If you lose him, you lose a lot of momentum.”



## MAINTAINING A COMPETITIVE ADVANTAGE

**Ray Lane**, then president and chief operating officer of the Oracle Corporation, said most chief executives still underestimate the importance of customer loyalty in the virtual world, but it is time to wake up. "The customer is not going to be loyal in the Internet world," he said. "Even though the customer has been doing business with you for ten years, if they see something



just by clicking to a new web site that offers them a different value proposition they're probably going to take it and not tell you about it," he said.

"The first thing I'd say to a CEO is that you have to learn to be tactical, maybe for the first time," Mr. Lane said. "This is not a strategic issue. Certainly the issue of competition and changing competitive landscape is strategic but the solution is very tactical," he said.

## RETENTION & LEADERSHIP AT LIGHT SPEED

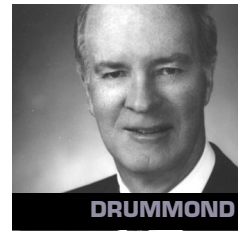
Attracting and retaining great leaders has never been easy, but the sheer pace of the Internet era and the

number of opportunities available for skilled executives has made it a daunting task.

How do you build a culture that retains your people and also retains your clients. "You've got to build it on basic values and vision," said **Geoffrey Champion**, managing partner of Korn/Ferry. "We see in our business that 80 to 90 percent of the people that we recruit do not join companies for money. They join the company for the opportunity that it's going to give them for professional and personal growth," he said.



**Jere Drummond**, BellSouth's vice chairman, said BellSouth has adopted a leadership development program to ensure that new recruits conform to its structure. "We realized five or six years ago that many of our present leadership team could not lead the company into the future," he said. "For the last three years about half of the officer appointments we've made have been outside hires, which may not sound strange to you but from a telco structure and heritage, that is pretty strong."



---

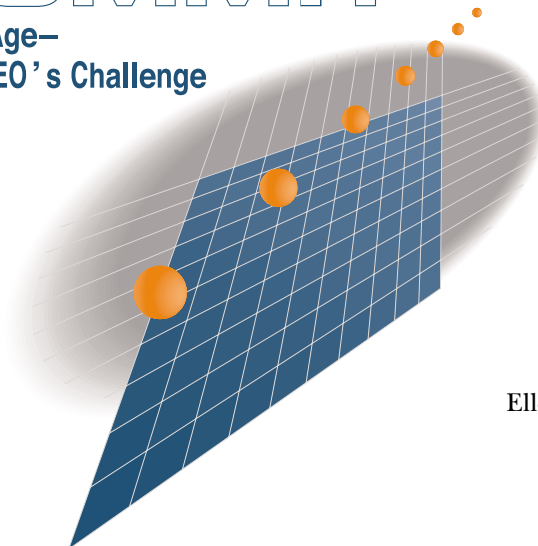
---

CEO SUMMIT 2001

# CEOSUMMIT

Leadership in the Digital Age—  
Accelerating Value: The CEO's Challenge

4<sup>TH</sup>  
ANNUAL



JUNE 21 - JUNE 23, 2001

THE INN AT SPANISH BAY

PEBBLE BEACH, CALIFORNIA

For more information, please contact:

Ellen Seebold, Conference Manager, opts

415/339.2027

ellen@optsevents.com

www.ceo-summit.com