

Securing the benefits of globalisation • Part I, Chapter III

Conducted
by

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*Strategic
conversation
with*

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Reducing globalisation's complexity through competences and reputation

You successfully led the Unisys transformation from technology to service-led, technology-enabled. Today, you are an up-and-coming global IT services provider with customers in more than 100 countries. Given the business change and your worldwide scope, what are the top three challenges facing Unisys as it performs cross-border business and implements its global strategy?

Lawrence A. Weinbach: We face several challenges when operating cross-border. The three most significant are *regulation*, *corporate governance* and the combination of both *excellence* and *competence*.

First, the whole domain of regulation is critical for us: different rules and standards apply in different countries, and these inconsistencies generate additional costs. So, at Unisys, we need to be keenly aware of the regulations in each of the industries within which we engage. The banking industry is a per-

1. Lawrence A. Weinbach has served as Chairman, President and CEO (Chief Executive Officer) of Unisys from 1997 to April 2004 when Joseph W. McGrath was appointed President and COO (Chief Operating Officer), and Mr. Weinbach continued as Chairman and CEO. Mr. McGrath became CEO on January 1, 2005, while Mr. Weinbach continues as Chairman of Unisys through January 1, 2006.

Securing the benefits of globalisation

fect example: regulations vary country by country, and this is so even within the European Union despite the harmonisation that has emerged during the last decade. Moreover, in some countries, such as Brazil, each province has its own regulatory requirements. Based upon these complex criteria, we must ensure that the solutions we propose to our clients comply with the rules and regulations of all governing bodies where business is conducted.

Second, because of the recent proliferation of financial scandals in the US and Europe, corporate governance has become another challenge. Unisys now has to comply, as do all companies filing with the US Securities and Exchange Commission, with the Sarbanes-Oxley Act (2002), which created substantial new compliance and internal control requirements. In turn, because the Act requires us to document all of our internal controls, it impacts not only our American operations, but also each of our subsidiaries and divisions worldwide. To do so when a company operates in over 100 countries is an extremely time-consuming and expensive exercise. Admittedly, however, there is an urgent need for public companies to win back the confidence of the capital markets. Sarbanes-Oxley may be an expensive way to do this, but I hope it will succeed.

The third challenge we face relates to competence: we need to make sure that we have the same level of competence in every country in which we operate. As you can well imagine, this is hardly an easy task! So, the first thing I did when I arrived at Unisys was to set up the *Unisys University*, an initiative that provides comprehensive training for our employees to acquire and develop new skills, and to become certified in the areas where this is required to serve our clients.

Are those skills mainly technical, or is *Unisys University* also providing non-technical employee training?

LAW: The wide array of skills required in the different areas of our information technology business demands employees acquire both technical and non-technical training. Skills tend to be more technical, but business fundamentals are also very important. No one has all the skills required, and skills are always changing. We offer skills training to our employees in specific software applications, systems integration and infrastructure management that support our services-led, technology-enabled vision for the company. We also provide them training in broader business issues, such as organisational leadership skills, sales management, marketing and communications. So, *Unisys University* provides the opportunity to acquire sought-after technical and busi-

ness skill sets. A further objective is to provide our employees a common approach – a collective methodology of doing work and effectively managing projects. We want people with different technical and business professional skills to be able to easily collaborate.

In a recent book² you mentioned that one of the defining moments of the Unisys transformation from a hardware to a services company was to restructure its entire go-to-market model. Does this common training methodology you just mentioned allow alignment between the different parts of the organisation, thus creating a potentially novel go-to-market approach?

LAW: In fact, this common methodology lets us approach the market, as much as possible, as *One Unisys* on a seamless basis. Today, client-facing employees have the responsibility to represent the entirety of Unisys to clients and to be able to present them the entire portfolio of services and products that we offer in the marketplace. *One Unisys, one end-to-end capability and portfolio*, is part of the go-to-market approach we have adopted to stress the organisational alignment of our company. I won't say it is perfect, but I think we have the mechanisms in place to make sure that we can nurture different employee skills as required and to additionally present Unisys skills as a single company to the marketplace.

Secondly, we also recently initiated what we call *U-Net*, an information exchange portal, via our internal intranet web system, through which employees discuss varying projects and assignments. It is conceived as a further method toward enabling cooperation and removing internal barriers between business groups. Based upon these criteria, the *U-Net* exchange becomes highly important, and within Unisys, it has already fostered more than 25 global knowledge communities.

Does the message, *One Unisys*, apply primarily internally or externally?

LAW: *One Unisys* is an internal message. However, it is also valid from the client standpoint. Clients are not interested in having different people from Unisys calling on them for different services or products. Instead, they prefer to have a single interface with us – that is, as long as the employee with whom they're interacting knows whether Unisys can provide the expertise to solve

2. Lawrence A. WEINBACH "Strategies for implementing a large scale, rapid transformation", in Meredith D. ASHBY and Stephen A. MILES Editors, *Leaders talk leadership: top executives speak their minds* (New York: Oxford University Press, 2002).

Securing the benefits of globalisation

their business problems. So, each group within Unisys doesn't require their own sales people to be directly interfacing with each client organisation.

How difficult is it to achieve execution consistently among the business, technology and marketing components of the organisation?

LAW: Some days it's easy, some days it's not. We have developed a methodology for modelling various business processes and developing technical solutions to business problems. We have also created something new in our thought leadership called 3D Visible Enterprise (3D-VE). This initiative focuses on how the IT organisation and strategy are intertwined within companies. It allows companies, in advance of committing to a change in strategy, to envision the consequences of such a change, and how it will affect their IT and overall business infrastructure, processes and software applications. They also can foresee the related costs of contemplated infrastructure changes in advance. A 3D-VE view of their organisation should increase their agility in today's global environment. We believe the 3D-VE approach will become the necessary first step in business transformation. It's an excellent example of how our services, hardware and marketing businesses are capable of solving tough business problems seamlessly – and saving time and resources.

Since you were elected as Chairman to direct the Unisys transformation, you insisted upon the need to focus on customers, employees and reputation. Indeed, you refer to these three components – all granted equal importance – as a 'three-legged stool,' now a highly visible symbol for the 'new' Unisys. Having already discussed the customer leg and how Unisys goes to market, can you highlight the primary initiatives you have undertaken to address the employee leg of the stool?

LAW: I already mentioned *Unisys University* and some of the technical and non-technical courses that improve our employees' skills and performances, not to mention their long-term employability. In this respect, *Unisys University* is part of our performance management program. I often say that the performance bar is raised every day. When you think about it, the expectations of our clients, and prospective clients, increase daily, so we must deliver and ensure that we are realistic and progressive in our performance evaluations. Given the fiercely competitive marketplace, our employees are evaluated with an eye toward assessing their strengths and weaknesses and their progress toward specific performance objectives that directly or indirectly support the overall strategy of the company. To build on their strengths and to reduce their

weaknesses are key dimensions of this rigorous performance evaluation process. Of course, the process is all built around their objectives that are established between them and their managers. Such objectives are then monitored throughout the year, and every 12 months a formal assessment compares their performance against their goals. In this manner, employee progress is charted comprehensively and salary raises directly reflect such evaluations.

Is this competence management program compatible with the alignment of all employees toward the Unisys global objectives? What incentives allow such a global alignment?

LAW: First, all of the executives who report directly to me are remunerated based upon Unisys global performance. In so doing, we strive to emphasize that the *whole* is greater than the individual parts.

Many employees don't have the ability to impact the entire company. So they are evaluated on a local level or individualised basis. Employees who do impact the entire company include those who are client facing where their actions clearly impact Unisys results in a particular country or region. We have a flexible incentive package for such employees.

Do you conduct any specific policies to attract and retain the talents you need to conduct your business globally?

LAW: From a performance management standpoint, we implement what we call our talent review process, to nurture future leadership potential in the company and to address succession planning and career monitoring for highly promising employees. Furthermore, we have created a special group called our Executive Development Forum. These future leaders are selected to attend an 18-month program.

Also, for a global company, it is critical to have a diverse workforce so that different points of view can nurture informed decisions. This is precisely why we established a diversity program. Initially in 1997, I was very concerned that Unisys was too male-dominated. As we have addressed this issue, we have also widened our focus to increase acceptance of cultural, racial and ethnic diversity and are now moving toward a system in which a cross section of our management seeks to reflect these diverse viewpoints. Of course, the only way to execute this strategy is at the hiring level. To accomplish that, we have set up Diversity Councils in each of our four major geographical regions. They have been in place for some time now, and we are starting to realise impres-

Securing the benefits of globalisation

sive results. I think we are now in a position to leverage diversity and inclusion to build competitive advantages.

Globalisation is first and foremost about diversity management. However, diversity can be apprehended in different ways in different regions. Within these regional Diversity Councils, how are diverse perspectives taken into account? In essence, is diversity handled locally or globally?

LAW: I think effective organisational diversity requires you to think globally and act locally as the saying goes. To illustrate, we do not apply a US definition of diversity and impose it at the global level. Instead, we expect our people in each region to be able to deal with cultural differences locally. To that end, our regional Diversity Councils met frequently to discuss what diversity means within their cultures. When they agreed upon resolutions to the subject, our Human Resources group then added the corresponding diversity criteria to their recruitment criteria. This program has now been implemented in the US for five years, in Europe for four-and-a-half, and in Asia for about two-and-a-half. It is an ongoing program that we are very proud of.

As I see it, diversity is a long road. Unisys is ahead of a lot of companies, and some others are probably ahead of us. But for a global company that seeks organic growth, employee diversity is a major business imperative.

In an increasingly competitive global environment, reputation management is critical for the market value of a corporation. You acknowledge the importance of reputation when you say it is one dimension that a company should focus on – one leg of the three-legged stool. What types of measurement allow you to monitor the reputation of Unisys?

LAW: We carefully study our client satisfaction progress, but we cannot afford to rely solely on these evaluations. We also work with an independent party who surveys our clients. And, we look at our competitors' performance. By talking to our clients, the independent party establishes a numerical satisfaction level that we then blend into a customer satisfaction index that is monitored annually so we can track our progress. Because of this system, we can see that we are steadily enhancing the Unisys reputation.

And of course, there is the whole issue of enhancing brand awareness. To address this goal, we follow how often Unisys is mentioned in the press, what kind of press covers us and whether or not the marketplace has a better understanding of the company and of the recent transformations we have undertaken. Additionally, we have two independent firms doing some scoring

for us on brand awareness, one in Europe and one in the US. So, we do use outside sources to help us evaluate these issues and to suggest what additional changes we might implement to increase our reputation. Keep in mind that it is harder to measure something soft like brand awareness, as opposed to a more concrete metric like revenues. Nevertheless, brand is one of the key non-financial measurements we track very carefully.

In the actual context of corporate distrust, reputation is also about core values and how they are implemented within the company. What do you consider to be the Unisys core values? How do you sustain and grow these globally?

LAW: Company values are the totality of what employees do, not a list of idealistic statements posted on a web site. In fact, the complexity of this issue is why it took us about a year, sometime ago, to identify what we call our operating principles: they describe what we are trying to achieve, what we expect from our people, and what they should keep in mind when performing their work. Our first list of operating principles was built by groups of Unisys employees who felt strongly about the importance of the task. We then established numerous focus groups and provided them different alternative principles to discuss. From that process, we arrived at seven principles that we felt were the crux of the value system that we were interested in promoting.

The first principle is 'external obsession': whatever we do, we must look to the customer outwardly not inwardly. When all of us, in every work group, embrace this operating principle as One Unisys, we win the order.

The second is 'best or nothing': our environment is so competitive that we must offer the best solutions in our selected markets if we want to compete for and win new business in the global marketplace.

Third is what we call 'invent the future.' We want our employees to be thought leaders and to actively consider where the marketplace is headed in one, three, five and ten years' time. Leaders invent the future. They don't just passively react to current conditions. If you are *not* a thought leader, then people see you as a follower, someone unable to create breakthrough solutions that enable the client to gain competitive advantage.

The fourth is 'be bold:' step up and defend your point of view, even if other people are moving in a different direction. Impose yourself.

Our fifth operating principle is 'team for speed.' Because we cannot do everything ourselves, we have to rely on partners to extend our capabilities. We

Securing the benefits of globalisation

must foster agile and adaptable teaming arrangements to best deal with the different opportunities that may potentially arise.

One principle that sounds a little controversial is 'deliver or die.' The 'die,' however, refers to the organisation, not the individual. A company should only promise what it knows it can deliver, be it to customers or to shareholders. To illustrate this point, one need only remember all those Internet companies that generated overblown expectations and then crumbled when they failed to deliver the revenues and innovations they promised.

And the last principle is 'absolute integrity.' Everything we do has to be with the utmost integrity. This is where our reputation is, where our brand derives. It is how we attract the best clients and employees. I am so adamant about 'absolute integrity' that we have an annual ethics-training program in which every Unisys employee has to participate. Moreover, we even administer a quiz on ethics, and over 99% of our employees worldwide participate each year. I think this underlines the absolute integrity that Unisys seeks to achieve. In total, these seven principles form the basis of Unisys core values. They were included in our 2002 annual report so all our shareholders and the marketplace at large could be aware of these principles.

You mentioned 'team for speed.' To what degree is collaboration critical for you? What kind of cooperation do you favour?

LAW: 'Team for speed' is two things. First, it holds an internal meaning because we understand that nobody can do everything by himself or herself; partnering with others inside the company is the best way to improve strength and speed of delivery. So, teaming for speed seeks to ensure that within Unisys, we bring the *right* resources to the *right* projects at the *right* time, and do not try to do everything individually.

Secondly, teaming for speed means that Unisys may not have 100% of the capabilities that a particular engagement may require – a specific technical expertise for instance. So, if and when this scenario emerges, we must ensure that we have the necessary partnerships and alliances in place to facilitate our client's needs.

In addition, some clients have unique requirements. The US Federal Government, for example, requires contractors to give 20% or more of their sub-contracts to minority business enterprises. In light of these conditions, we maintain a current list of such companies that we work with, and we will call them as necessary.

One of globalisation's great complexities is that it is also about working with

certain companies in one country while competing against them in another. Such situations arise continuously. One day we are competitors, the next we are partners. That's the nature and reality of our business. So, we maintain good relationships at a given engagement working closely with a competitor. While at a potential engagement, we might be competing to win against that same company. In today's world, we take this for granted and don't think there is anything strange about it.

Unisys has many 'global customers.' Would you say most of these global customers have a global presence but are short of global management, or are they really 'global' in their decision-making and operations?

LAW: Let me give you a specific business sector example, financial services. Many of the financial institutions we work with are truly global. In most cases, they ask us to put the same system – or the same technology – in every location where they operate. In this type of service engagement, dealing with the local people and understanding their culture becomes essential in order to be successful. So, we have to ensure that we are able to operate efficiently in these specific localities – our linguistic skills and cultural awareness are key here. So, yes, there are clients who are truly global, and they need a truly global supplier that has the deep experience to deal with multinationals and the macro and micro challenges they face.

At the same time, other firms have global operations, but their corporate structure may be decentralised, so we end up dealing with individual subsidiaries in various countries. Simply put, we must possess the flexibility to deal with both of these operational models and to adapt to ever-changing requests.

Is Unisys better adapted to address the first or second category of companies?

LAW: When I first arrived at Unisys, we primarily dealt with companies centred on local governance models, and we were not efficient in dealing with companies that wanted to be looked at on a global basis. One of our primary lessons over the last several years is that we need to accommodate our operations to both requirements. And today, I feel we have the competence and the capability to be able to conduct business in either environment.

You mentioned linguistic skills and cultural awareness as two important ingredients in the service engagements you perform for your customer. Does language and culture remain a key obstacle for any global corporation?

LAW: There are two facets to your question. First, within our company, English

Securing the benefits of globalisation

is the universal language. Everybody can speak English, but where difficulties arise, we have adapted our training and developmental practices to address other language requirements.

Culture, the second element of your question, is a bit more challenging. If we want to deploy resources from one country into another one, English will often be used as a common business language. But, in other cases – particularly in government work – we absolutely need to have people who speak the local language and know the culture; there is no substitute for this. That's why I think to deal successfully with the culture factor you need people who can operate in a global environment, and who are familiar with various cultures.

Unisys has experienced strong growth over the last several years. Have you favoured an external or internal growth strategy?

LAW: We have pursued mainly an internal growth strategy. We have made only a few small acquisitions in Belgium, Spain and the US. We believe that acquisitions are not a substitute for organic growth, which is growth from within the enterprise, growth that enables us to effectively manage the nature and direction of our progress to achieve our objectives in the marketplace. We think organic growth makes us stronger, but growth through acquisition can supplement an organic growth strategy.

You said earlier that diversity is a long road. Presumably, globalisation is too. How does it impact your company? Do you benefit from the ongoing globalisation trend?

LAW: Our business is becoming more and more global. We may see new regional organisations form – like the European Union – but the fact remains that the globalisation of business is here to stay. It benefits all countries, emerging nations and developed economies alike.

Indeed, being global is beneficial to us. As a global business, we can better survey our competition and better understand our clients' needs. Moreover, by being global, we come into contact with ideas and thoughts everywhere, and we then have the ability to share – and profit from – this knowledge within our company. I think it makes us a more dynamic organisation, capable of providing stronger technology services.

Given the global nature of the business environment, a company is exposed to all sorts of risks: political, social, economic and regulatory. How are they taken into account at the management level?

LAW: We all must address 'global enterprise risk management.' However, if people understand these various risks, and pay attention to them, we as a company can be even more successful than if we only focused on internal concerns. As I mentioned, we strive to hire people with a global curiosity who can operate in a global environment. We want people who are able to deal with multiple nationalities and different cultures, and who want to invest some of their personal time to understand such matters. Some issues may have different global and local meanings – terrorism or political instability, for instance. So Unisys, as a forward-looking enterprise, must be able to absorb and adjust to all these circumstances. I have tried to construct a management team that is not only comfortable with one another, but also sympathetic to the importance of global enterprise risk management.

Businesses and governments are facing increasingly complex challenges. Understanding the repercussions of different global events is absolutely essential to our business. However, to help them successfully overcome those challenges requires a deep understanding of diverse industries and the micro-economic conditions that apply to them, such as global sourcing, merger activity, government regulations and securing supply chains and homeland territories. In today's global economy, these are some of the primary issues Unisys is addressing. The key is to clearly know your business imperatives, measure them, focus and execute every day.