





# The Speed of Success

High-tech measurement firm Agilent relies on developing great leaders and managers to equip the company for long-term success and expedited growth.

By Tony Bingham and Pat Galagan

Agilent is a measurement company that focuses on the electronic and bio-analytic fields. To comprehend what that means, consider several interesting facts:

- Agilent tests more than half of the world's 1.3 billion cell phones.
- Its microarrays—microchips that contain thousands of genetic sequences—help scientists discover how genes work and diseases develop.
- It supplies analysis equipment to the labs that perform drug testing for the Olympics.
- Its devices help measure the quality of the environment and the safety of food.
- Its products help solve crimes, and yes, they have been seen on *CSI*.

Agilent Technologies was part of Hewlett Packard until 1999 when it became an independent company. It is the top supplier of electronic test and measurement products that assist engineers, scientists, and researchers with their work. Its meters, sensors, scopes, analyzers, counters, data generators, and many other tools are sold around the world. In 2008, its revenue was \$5.7 billion.

Bill Sullivan, a 33-year veteran of HP and Agilent, became CEO of Agilent in 2005. He changed Agilent from a diversified technology company to one that focuses on measurement in specific areas such as the life sciences and communications technology. He outlined the company's focus on customers, employees, and shareholders, with specific measures of success. He also set to work building leadership capability to enable faster growth and better anticipation of where markets are headed.

We spoke with Sullivan at the company's headquarters in Santa Clara, California.



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**Q** | After becoming CEO in 2005, you changed Agilent from a broad technology company to one that specializes in measurement in the electronic and bio-analytic fields. That change was supported by a major leadership development effort. Please tell us why you supported a high level of leadership development and how that has helped achieve the company's goals.

**A** | Let's step back and talk about value creation. We define value creation as four fundamental areas: The first covers the team, the people, our leadership, and the environment we need to be able to create value. The second one is all about the market. What is the understanding of the market and what is the market segmentation? Where are the areas where we can have a very clear strategic intent to win? The third area is technology. How do we differentiate ourselves as a technology company and sustain ourselves in the markets that we pick? The fourth area and the foundation of these choices is a business model where we make decisions about the return for the shareholder and the ability to sustain the enterprise moving forward.

To quote Ram Charan, the greatest percentage of a company's success is in its people and the markets that it picks. Often we forget that every one of our competitors has the same information we do about the markets. Our people are what fundamentally differentiate us. If our 19,600 employees were all headed in the same direction, no one could beat us. That's why you need to harness the intellectual horsepower and the passion of thousands of people to be able to compete in the market and win with the customers.

When we decided to transform Agilent and focus on the \$45 billion measurement market, we started at the top of the organization. We wanted to align the top 100 executives in the company. So we started a discussion with our learning and development team about how you do that. How do you fundamentally change the way people think about the business?

With the help of TRI Corporation, we introduced a simulation program as part of the overall training for executives. It was a simulation of the future in the context of the Agilent operating model, using Agilent metrics and Agilent reviews. It was highly competitive.

In the simulation, the executives focused on the direction of the company, the strategic intent, and how to think about being an international business—because about 70 percent of our business is outside the United States. The feedback on the simulation and the results has been stupendous.

From that, we've driven versions of the simulation down through the whole organization. By doing that, we have built a core foundation of the way we think about markets, how we manage our business, how we think about customers, and how we think about our global infrastructure.

When we talk about market segmentation, we want to have differentiable solutions in high-growth markets. So we've looked at how to win in life sciences, how to win in the food industry, and how to win in the next generation of cellular telephones.

Working with a team from the Parthenon Group, we performed a very systematic market segmentation and, very importantly, very clear customer validation. Technology companies can often invent technology and hope that the world accepts it. Our approach is to understand the customers' measurement needs today and in the future and to offer them solutions.

**Q** | How were the inputs into the simulation model determined?

**A** | It was designed as a futuristic product-based game consisting of two worlds with three teams in each world. The teams competed against each other, looking at things such as inventory, R&D [research and development], customer relationships, and sales expansion. The output looked just like what you would have in a review inside of Agilent. The metrics were identical to Agilent's.

**Q** | How do you measure success at Agilent?

**A** | We use very few metrics to measure the success of the company, and we try to make them as outward-looking as possible. The first overall metric is the total shareholder return. We compare ourselves to the S&P 500 and the subset of the S&P 500 that we participate in, which is the IT, communications, and healthcare portion. Until the first quarter of 2009 we outperformed the S&P every year. That was the first time in 25 quarters (nearly seven years) that we missed

our commitments due to the dramatic drop in our electronic business in terms of what our performance should be. The absolute measure of anything we do is how this team executes versus their commitments and how they execute versus other components of the S&P 500.

The second thing we use is what we call the Agilent customer survey. We survey our employees' interactions with our customers. In independent surveys, Agilent is number one among measurement companies. But we have a lot of really tough competitors. So on a scale of one to 10, we measure our customers' interaction with us. When we started this process, seven out of 10 customers were super satisfied. Now the score is over eight, and in some places in the world, it's over nine.

We also have our employees measure our managers. Every quarter we ask them eight questions around three things: Is my manager customer-oriented? Can my manager make timely decisions? And does my manager provide the focus, feedback, and tools that I need to get my job done? Everybody, including me, gets a score that is red or green. I see all the managers' scores.

When we started this process, our average score was around 50 percent favorable—just below the norm for high-tech companies. Today almost everywhere in the company our scores are over 80 percent favorable, and we are at or very near the top quartile. We conducted one survey right in the middle of restructuring the company, and even though we were laying people off because of a drop in business, we had the highest scores in our history.

## **Q | There's a culture of accountability and measurement at Agilent. How has that affected the culture?**

**A |** We have a fantastic culture. This is the 10th anniversary of Agilent and the 70th year since the founding of Hewlett Packard, which started as a measurement company. When we say we stand for absolute and uncompromising integrity, it's absolutely true. Respect for the individual and respect for teamwork are just ingrained in the organization. We can put teams of people from all over the world in the same room, and soon they're all working together to get the job done. We do that very, very well.

The downside of that—and an opportunity for improvement—is that the culture tends to be consensus-driven and conflict-averse. If you have respect for the individual, that can prevent disagreement. But you can't hold consensus accountable. That's why we have individual and team metrics. If something doesn't work, we ask, "Ok, what's plan B?"

## **Q | One of Agilent's aspirations is to grow faster than its competitors and to go where markets are developing, not where they've already been. You call this quest "speed to opportunity." How does that help drive performance?**

**A |** The theme of speed to opportunity is a way of driving change. But what does it really mean? Well, we can say, "We want you to be less conflict-averse." But I don't know how to describe that. We have a wonderful culture of respect for the individual, and we don't want to take that away. So we focus on the market and the customer. Are we getting measurement solutions to our customers ahead of the competition? What are we doing to make sure that we get there first? We have the metrics to measure that.

The whole focus of speed to opportunity is being accountable. For example, we have a "just say yes" program, with allocated resources, for customer calls. Let's say a key customer calls with a request. We want to say, "No problem; we can get you that." We already have metrics in place on how quickly to respond to customers. But in deciding how to respond, there's going to be conflict. People have different priorities and objectives. But the customer is first, so we strive to satisfy the customer quickly and still be respectful to those we disagree with.

## **Q | Does the learning function play a specific role in implementing speed to opportunity?**

**A |** The learning function and corporate communications work together to describe to employees what we mean by speed to opportunity. There is our InfoSpark e-internal newsletter, which we use every week to tell stories about speed to opportunity with examples from our teams around the world. These stories show how we were able to win a tough deal or a new opportunity.

Part of my job is continual communication with all the employees. I get to all our major sites at least twice a year to reinforce our messages, to ask the questions, and to capture suggestions on how we can be even better.

## **Q | In 2006, you were named by the Best Practice Institute as one of the top 25 CEOs in the world for leadership development. Do you see leadership development differently than other CEOs, and what is your personal role in developing leaders at Agilent?**

**A |** I don't see it differently. I'm in CEO roundtables in Silicon Valley and other parts of the region, and this issue of

people development—of people being the differentiator—is always top of mind. Everyone knows it's the people who make the company work. In my opinion, the CEO has to be active and front-and-center in developing people. You can't outsource this role to someone else. For every one of the executive training programs I mentioned earlier, I kicked them off, I closed, and I was part of the review team. And it's not just the CEO who has to take part. Your managers and leaders also have to be part of the training process.

We hold two accelerated leadership development programs each year, called LEAD and AIM. Both prepare high-potential managers and individual contributors for their next level of responsibility. During these year-long programs they are assigned to projects that are meaningful to the company. Mentoring is part of that experience. There are always some brave individuals who ask if I'll be their mentor for the year and I say sure because I get an inside look at some really critical issues, and I learn a lot. I expect the executive team to participate in the process, too.

### **Q | How do you achieve consistency in leadership and management across the organization?**

**A |** The first thing we ask of the manager or leader is, "Can you set fair, clear, measurable, strategic goals for what you want to do?" Easy to say, but people don't always do that. In the simulations, the teams that were not clear on what they wanted to do or kept changing their minds did not do well. You have to have clarity of thought about strategies and goals. That's the leadership part that is so different from management. Once that's set, then how do you build the organization's capability to be able to meet that? And finally, you've got to get the results. We've driven that very simple leadership model through the organization.

We have quarterly reviews with each of the businesses. They do a self-assessment. And we have an annual review process where we do a deep dive into their performance, which drives the overall compensation and rewards. During that process, part of my role and the role of the leaders is to constantly have a dialogue about leadership, customer relationships, markets, the competition, and what the customers say.

We recently spent a day and a half at our center for RF [radio frequency] microwave design, dialoging with the leadership team about how they're thinking about their strategic intent, how they're building their organization, how they're going to drive results, and how they are reacting to the downturn. We looked at the macro issues affecting the overall economy.

We didn't discuss financials. We're all familiar with the numbers. I think that in times like these, the tendency is to

go to the spreadsheet, but in reality, the dialogue should be with the team and its managers about how they're thinking and how they're going to manage through the second-worst high-tech crash in eight years.

### **Q | What attributes do you look for in hiring someone for a leadership position?**

**A |** You've got to have the domain knowledge. We're a highly technical company, so you've got to have credibility in the measurement domain. And you must have a track record of success. But there are two attributes that I think are universal in leadership, and they're innate. The first is: can the individual take personal risk to drive change? The ability to take personal risk is fundamental to a leader, and many people are uncomfortable doing that. You can be a great manager, but you can't be a leader unless you're willing to take personal risk. So I look at how people go into problems. The other attribute is passion. You've got to have passion to be a leader.

### **Q | Is the situation you're going through right now with layoffs and restructuring having an impact on the learning function?**

**A |** We asked how development could be done more effectively and more efficiently. Some training was delayed. But how can you not train? We brought 1,000 people in through acquisitions over the past three years. People have to be trained. I think the worst mistake companies can make is to not train. Then the people who haven't gone through the process float for a year and the consequences of that are far greater than the minimal expense to continue the program.

We asked everyone to be more creative, and Teresa Roche's team (in the learning organization) did something very innovative with the AIM and LEAD accelerated development programs for managers and leaders that I mentioned earlier.

At the end of the year's training, we host a four-day closing event that includes a fair to showcase all the business projects that the managers have worked on. People come together from around the world for a celebration and to share their learning. Obviously something like that is very costly. So Teresa's group came up with the idea for accomplishing the same result but quite differently.

They held the project fair virtually. It was unbelievable. They hosted, through a third party, a virtual convention center with booths and demonstrations. You could click on the presentations and interact with people globally. I spoke at the closing event and they set up webcams so that the

participants could see me and interact with the session. And while it wasn't the same as being together in person, it was a fraction of the cost. The feedback was tremendous. It was just great.

So that's a great example of innovation. When we define innovation in the company, obviously we talk about product innovation, but innovation is needed in everything that you do. You can't stop innovating in times like these. Given the overall worldwide economy, this is when you want more innovation, not less.

**Q | You mentioned that Agilent experienced its first lower-than-expected quarterly results in more than 25 quarters. Did that affect the investment in learning and leadership development or the process used to train and develop?**

**A |** This whole thing of quantification of training, of measuring it as some sort of stand-alone event, I just think is a big waste of time. I've taken that position for 33 years both at HP and at Agilent. I know there's this tendency to measure training and get feedback, but when you think about it, what are you trying to do?

First of all, you want the management team and the leadership team all on the same page. This is how we run the company. That's not debated. It starts in the core values. It covers the management processes. It covers the compensation processes. Employees know how we think about leadership. They know how we evaluate leadership and how employees will be evaluated. And on top of that we provide training on how we think about value creation.

With those basics in place, we say, "In this market, we're number one in measurement, but how are we going to grow? In a \$45 billion market, even 4 to 5 percent growth is a billion dollars more opportunity. How are we going to think about that?"

So learning is a continuum. We've built a foundation and efficiently trained all the new managers that come into the company. We train them in all the things I mentioned, and then we look at the process of how we start a dialogue about moving forward. Learning reaches out to corporate development, and together they look at how to create a corporate environment for having that dialogue about the business.

So I look at learning as a continuing investment. I believe the corporate effort needs to be very focused on the strategic intent of the company. I look at whether we have the organizational capability to move in and win in the life sciences, which is the biggest growth opportunity for the company. I'm responsible for the ultimate results, so I look at [the training] as a continuum. People think of training and development as an add-on choice, but I have never

We didn't discuss financials. I think that in times like this, the tendency is to go to the spreadsheet, but in reality, the dialogue should be with the team and their managers about how they're thinking and how they're going to manage through the second-worst high-tech crash in eight years.

thought about it that way. Training is fundamental to running a company. Any organization that works well doesn't look at whether to do it or not.

**Q | What role does learning play in mitigating the potential effect of the economic environment?**

**A |** A downturn is the ultimate test of a company. The old saying is when the tide comes in, all the ships rise; but when the tide goes out, lots of rocks show up. I believe that the foundation that we created through our training—from the fundamentals of how we're going to look at business in the context of our operating model and what we're doing in market segmentation—has prepared us for this downturn. In 2001, during the high-tech crash, we burned through \$2 billion of cash. That was a lesson for us. This year we will be cash flow positive.

In Q3 of last year [2008] we began taking action because we believed that this downturn was going to be far more severe than people expected. So we've been able to make decisions ahead of the curve, and I think that was due to having a framework for those decisions ahead of time.

I believe that the ability of our organization to react fast and to communicate our decisions has been very good. Employees and shareholders understand that we have to be cash flow positive to have control over our own destiny. And we will do that through this downturn to the best of our ability. **T+D**

*Tony Bingham is president and CEO of ASTD. Pat Galagan is editor-at-large at ASTD; pgalagan@astd.org.*

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