

Case in the News [LO5-1, 5-2, 5-3, 5-4, 5-5]

A Historic Succession at Xerox

Ursula M. Burns isn't one to savor victory—even if it's being the first African-American woman to lead a major U.S. corporation and the first female CEO to take the reins from another woman. Within days of being named chief executive of Xerox she was on a plane to Europe. The mission: a 30-day tour to meet with staff outside the United States, where Xerox has almost half its sales, and discuss ways to get customers buying again. "I think the celebration of her announcement ended about 60 seconds after the e-mail went out," says Clarke Murphy, a recruiter at Russell Reynolds.

Burns, 50, has a war to fight. Xerox, a brand so synonymous with copying that its name long ago became a verb, faces a brutal business outlook. Customers are buying less equipment. Prices keep dropping. Managers are curbing paper use for cost-saving and environmental reasons. While departing CEO Anne M. Mulcahy, 56, pulled the \$17.6 billion-a-year copier giant from the brink of bankruptcy and restored profitability, her successor has much to do. Burns will find herself battling competitors with stronger balance sheets and more heft as the industry consolidates. The Norwalk (Connecticut) company's sales dropped 18% in the first quarter, to \$3.6 billion, producing a profit of only \$49 million. The stock, trading at more than \$14 a share in September, is now less than half that.

And yet expectations are high as Burns ascends to the CEO post. Executives inside and outside the company speak of her deep industry knowledge and technical prowess, as well as her frankness, sharp humor, and willingness to take risks. For many working mothers, it's inspiring to see Mulcahy, a mother of two grown sons, step down in favor of a woman who has a 16-year-old

daughter and 20-year-old stepson—and was herself raised by a single mother in a New York City housing project. "This is a bases-loaded home run," says Noel M. Tichy, a professor at the University of Michigan Ross School of Business. "We now have something to share with our MBA females that we've never had." Adds Robert A. McDonald, chief operating officer of Procter & Gamble and a Xerox board member since 2005, "Ursula is a strong leader who has an unusual ability to understand the power of technology and innovation."

The excitement is understandable. Three decades after women flooded into professional jobs, the C-suite continues to be dominated by men. While women now make up 59.6% of the U.S. labor force, fewer than 16% of top corporate officers are female, according to Catalyst, an advocacy group that tracks women's advancement in the workplace. For minorities, the figures are even worse. Avon CEO Andrea Jung became the first nonwhite woman to lead a major company in 1999. Frank D. Raines, former chief of Fannie Mae, became the first African-American CEO of a top company the same year, though he later left amid an accounting scandal. By 2007, there were seven black men running major corporations. Since then, three have left. While other black women have run major divisions, Burns is the first to lead a large public company.

"Classic New Yorker"

A mechanical engineer by training, Burns has a strong understanding of the business and its challenges. Like Mulcahy, she's a Xerox veteran. She came to the company as a summer intern in 1980, joining full-time a year later after completing her master's degree in engineering at Columbia University. Xerox was drifting at the

time, having largely ignored the threat posed by Japanese copiers and new office printers, while failing to get innovative products to market. She took on roles of increasing responsibility, distinguishing herself as a quick study who could handle multiple tasks at once and wasn't afraid to flag a problem. "Ursula is your classic New Yorker," says Christa Carone, Xerox's vice president for marketing and communications. "She's known for being very frank."

Reginald L. Brown Jr., CEO of consultancy Brown Technology Group, says many colleagues saw her as CEO material almost two decades ago. Brown began working with Burns in the late 1980s in Xerox's custom systems division, which helped clients switch from standard copier machines to ones that could be integrated with computer networks. When Burns was appointed special assistant to Wayland Hicks, then president of marketing and customer operations, in 1990, everyone knew she was on the fast track. "These were jobs in the company that division presidents put their best people in," says Brown. "Most of them were white males, so to have an African-American female in such a position of power, you knew early on she had great potential." She later took on a similar role with then-CEO Paul A. Allaire. Appointed general manager in 1997 and vice president for worldwide manufacturing two years later, Burns helped lead a push into color copying.

But the overall business continued to struggle. By the time Mulcahy took over as CEO in 2001, Xerox was in deep trouble. Customers had migrated from Xerox's stand-alone copiers to using cheaper desktop printers to get multiple copies of documents. Rivals such as Canon and Hewlett-Packard had stolen the lead in key product areas, and the company had pulled

N. Niarip, "Or will they just continue very slow growth, if at all?"

In the short term, analysts hope Burns will focus on reviving sales in emerging markets while continuing to expand into higher-margin services at home. And Xerox needs to be more efficient to compete against aggressive and deep-pocketed competitors. While Burns has much to do to rebuild Xerox's strength, she's aware of the significance of what she has already achieved. As president, she once told an audience at the YWCA in Cleveland, "I'm in this job because I believe I earned it through hard work and high performance. Did I get some opportunities early in my career because of my race and gender? Probably... I went to work for a company that was openly seeking to diversify its workforce. So, I imagine race and gender got the hiring guys' attention. And then the rest was really up to me."

Questions for Discussion

1. Why was the succession of Ursula Burns to the top position at Xerox considered historic?
2. Why are there so few women and minority CEOs of large corporations?
3. What steps have managers at Xerox taken to effectively manage diversity? What are the consequences of these initiatives?
4. Why does the effective management of diversity make good business sense?

Source: N. Byrnes and R. O. Crockett, "A Historic Succession at Xerox," *BusinessWeek*, June 8, 2009, 18-22. Reprinted from June 8, 2009 issue of *Bloomberg Businessweek* by special permission, copyright © 2009 by Bloomberg L.P.

the same time as Burns, eventually becoming chief marketing officer. She's now a senior vice president at IT consultant Mitchell International.

Much of what Xerox does is now replicated in other companies: an Executive Diversity Council, leadership programs, and performance reviews that rate managers on their ability to recruit, mentor, and promote underrepresented groups. (If they don't hit the mark, their review, pay, and chances at promotion get dingied.) What has distinguished Xerox is less the outline of its program than the actual makeup of its senior ranks. As Harvard Business School professor David A. Thomas observes, "You have a culture where having women and people of color as candidates for powerful jobs has been going on for two decades."

Now Burns's toughest job will be restoring the company's top-line growth. Equipment sales were down 30% in the first quarter. And once fast-growing developing markets, which make up 15% of sales, have slowed to a crawl with demand in countries such as Russia off 33%. While analyst Richard Gardner of Citigroup Global Markets argues that the company's strength in color printing and recent acquisitions should help it rebuild, he expects a steep dip in sales this year, to \$14.7 billion. Xerox says its investment in innovative products will help it emerge from the recession stronger. But Gartner Group says it expects corporate purchases of copiers, printers, and other hardware to remain flat through 2012 while prices will continue to slide. And Fitch Ratings put Xerox's \$9 billion in BBB-rated debt on a negative outlook after the first-quarter numbers came in. "Will they be able to make acquisitions?" asks Fitch analyst Nick

down almost its entire credit line as the business hemorrhaged money.

Early in Mulcahy's tenure, she forged a partnership with Burns. Over time, she entrusted her lieutenant with much of the day-to-day operations while she focused on improving customer service and Xerox's financial health. Mulcahy oversaw major moves such as shedding the desktop printer business while trying to get the balance sheet in shape.

All the while, Tichy observes, Burns was the one who was "clearly running the majority of the business." With the company in crisis, she helped downsize the workforce by close to 40%, from 57,100 to 94,600. She spearheaded Xerox's move out of manufacturing, with Flextronics now making most of the actual copiers. Burns, who was named president in 2007, also identified some gaps in its offerings, filling them with lower-end products from Xerox or partners. That has given the company its largest product portfolio in history and allowed it to be more competitive in selling to small and midsize businesses. And she has proven adept at garnering the support of the board. "She understands the technology and can communicate it in a way that a director can understand it," says P&G's McDonald. Another factor in Burns's rise has been the strength and depth of Xerox's commitment to diversity. One-third of Xerox's 3,819 executives are women, and 22% are minorities. Employee affinity networks first sprang up in the late 1960s, and senior executives have long had responsibility for sponsoring them. Burns was a liaison to the Hispanic employees' caucus. "It was a system that allowed you to be recognized" at a time when women and minorities often weren't, notes Nina Smith, who moved up the ranks at Xerox at much