

An Entrepreneur's Story

Growing a Digitally Networked Organisation with Values

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Good evening Ladies and Gentlemen

I'm delighted to be here with this invited audience. Delighted because we share a great deal – interest in growing a networked organisation – interest in values. And yet I know that much of what I have to say will be totally new to you.

My corporate story starts in 1962 when I founded Xansa as a 20th century cottage industry for women. And it comes into this century with a series of personal initiatives and innovations I've been able to make since my retirement. My life's theme, if it has one, is, I think, empowerment – empowerment of women, empowerment of colleagues and the workforce, and empowerment of people with disabilities.

Let me start by explaining that Xansa is in business technology: an outsourcing and change management group valued at over a billion pounds. The company could not have started smaller - with only £6, and on my dining room table. But from the start we presented a very professional front.

I founded Xansa so as to have a job that fitted in with my plans for a family. The problem was that virtually none of the part-time work then available had any intellectual challenge. The best I achieved was working a four-day week as a junior manager at ICL. But I was not alone in wanting to combine a vigorous professional career with rearing my family. Xansa pioneered the concept of "women returners" and began as a company of women, for women.

Back in 1962, software was given away free with the hardware. My colleagues thought that the idea of setting up a software house was ridiculous: no-one would buy software. My friends thought that I was not tough enough to survive in business, any business. My mother-in-law could not understand why I should wish to go on working after marriage, let alone children.

In those days no one expected much from women in work because all expectations then were about home and family responsibilities. I couldn't accept that and so challenged the conventions of the time. Even to the extent of changing my name from Stephanie to Steve in my business development letters – so as to get through the door before anyone realised my gender!

I'd no experience in running an organisation. So I wasn't constrained. In other words I had the freedom to innovate – and to make mistakes. For example, my lack of commercial expertise meant that our pricing started off wrong and stayed wrong, year after year. Profitless prosperity, although it did get us market share. On the other hand I

came up with new ways of staffing, new ways of marketing the products and new ways of financing the business – traditional sources of money wouldn't look at me with my young baby.

What carried me through was my belief that I had the guts necessary for any leader to cope with failures (and I had many), to admit to mistakes, to face up to them, to pick myself up and to move on. I was encouraged by the thought that the only people who don't make mistakes are those who do nothing.

What I did, then, in the early days – in the 1960s – was to empower women with dependants by providing them with opportunities to obtain interesting (not actually well paid) work, and choice of how and where they did it. In practice this meant homeworking, or telework as hi-tech work at a distance has come to be called.

The flexible working pioneered by Xansa in the 60s took off in the 70s and is now a permanent part of the employment scene. Some people view part-time or short-term contracts as not "real" work. But these are not simply "women's issues". They apply equally to men.

I'm often asked for my formula for success. In a way, ignorance was bliss. Because I had no commercial training, no one had taught me what to do or what not to do. So we broke a multitude of traditions.

Looking back, Xansa's early success had a simplicity to it. Things other people would describe in technical gobbledegook, we tried to make simple and comprehensible. By talking the customer's language rather than our own, we assimilated their perspective on their requirements. This led us, far earlier than most of our competitors, to relate to business rather than to technical issues.

Two factors, I think, then accounted for its success and growth, both to do with control. First, I decided to spread equity as widely as possible throughout the firm. Secondly, I realised my own limitations and brought in Hilary Cropper, a professional manager, to take the group forward.

I had always admired the John Lewis Partnership, and the way it had been established to involve its workforce in its management and prospects. I too wanted co-ownership and, by the time I retired and became Xansa's honorary Life President in 1993, I had succeeded in getting 24% of the company's equity into the control of the workforce, at no cost to anyone except myself. The process continued and was later complemented by share sales to them and I am delighted that, today, Xansa management, employees, and associated consultants, the total workforce of around 6,500 FTE people, including 1,000 in India, hold just under 30% of the company. I'm sure this is the main reason that staff attrition rate is as low as 8.1%.

One of the hardest things for a founder entrepreneur is to know when and how to let go. Industry is littered with horror stories of companies whose founders hung on too long, suffocating the spirit of their brainchild. In my case, I recognised that I was a superb technician, strong on strategy, full of ideas and energy, but merely a dutiful and competent manager. So I decided to slowly back out of the day-to-day management of the company.

But relinquishing management control proved more painful than parting with equity. The 70s were, for me, a period of heavy strain and, along with the one in every four adults affected by mental health problems at some time, I had a nervous breakdown. You will know the feeling. You really have to dredge up reserves from the depths sometimes – when it's an off-day but there's a task to complete that your team has worked for months to put together. Or when your group has suffered a major setback. And that happens all the time? You just seem to be getting over the worst, when a new set of problems conspire to test you again. Like climbing triumphantly to the peak of a hill only to find it isn't the top. And that another, higher summit is still ahead.

The result was that I became highly stressed, both at home and professionally, travelling too much, smoking too much, exercising not at all. I burnt out. In my experience, it is not easy to build a business. Male or female has nothing to do with it. The cost in human terms can be horrendous. But success is to be found on the edge of failure. And, at my third attempt to find a suitable successor (over a period of 10 years) I was able to bow out of management.

For me the relinquishing of ultimate control brought mixed emotions. In many respects it was a release. It articulated that I was no longer essential, that the company could and would and wanted to run without me. Until then, I had sometimes felt like a prisoner with a ball and chain. Other people could walk away, but my responsibility was so overwhelming that whatever I wanted to do with my life was subservient to what the company demanded of me.

Looking back on those 30 years of effort, a number of points strike me.

1. Where did my obsession with empowerment, for total people involvement, come from? As with many entrepreneurs, the driving force behind my creation of a company stemmed from a traumatic background. Freedom is important to me because I am a survivor of the Nazi Holocaust. Although only a child, the experience left me with a set of strong values. I learnt not to expect tomorrow to be the same as today. And that gave me an openness to new ways of doing things. My 'survivor guilt', the need to justify why I was saved when millions died, has fuelled my sense of the importance of people having the freedom to pursue their own fulfilment. With such a background and from an early age, I became aware of just how rare real freedom was for women at work and in society.
2. The relentless drive for efficiency; an ongoing attack on costs; the pursuit of excellence, they are all an essential part of the business process. It's a learning experience. How and when to take risks. We borrowed money on our marital home to the extent that, had the company failed, we'd have been back in rented accommodation – not an appealing prospect since our handicapped son was by then an extremely difficult toddler to care for. How to select, train and manage staff. And how to turn them into partners. How to lead. And you cannot be a leader unless you act. Thinking is not enough.

3. The more you use your moral courage on small issues, the easier it becomes to use it on big things. A hero taught me that “of course” physical courage is the reverse. More like a bank account. The more you use it, the more likely it is to become overdrawn. The more you're stressed, the less you're able to cope.
4. In no way am I a typical entrepreneur or business innovator. One's first million is all very nice but when it's tied up in a company, you don't notice it. Many of the now 100 millionaires within Xansa are also not particularly interested in the power that serious money brings; I am far more interested in the achievement and realisation of goals. So I tried to manage differently, to act as an advocate and role model for other women. Role models provide images of real women valued for their contribution to the real, not fantasy, world.
5. To me, work is not something that I do when I would rather be doing something else. And an estimated 1 million people in the UK are similarly workaholic. Apart from the time commitment, I've also worked at going beyond myself, to see the broader picture. This means more than having a personal goal like 'I wannabe rich'. It means having goals for your community, your profession and your country. I found out in those difficult 70s that to be able to go beyond oneself, you need a healthy selfishness. To invest in yourself – your mind, body and spirit – to ensure your own self-preservation and development.
6. I find the word 'discretion' an interesting one. Discretion is synonymous with choice. When faced with a problem that requires solving, can the ideas, innovative capacity and wisdom of people be brought to bear on this problem in order to produce the best possible outcome under the circumstances? To give 'discretionary innovation'. Effective utilisation of discretion – in essence individuals inducing that much more performance from themselves – requires a high level of trust and confidence in others.
7. Always, always, it is teamwork that carries forward the vision. You can't do it on your own. All my working life, and again since my retirement, I have delegated the execution of my vision to others. And gained personal strength by embracing the concept of empowerment. As with love, it is more about giving rather than taking. People you lead need to recognise that they too have power. The aim is for them to say:

“The leader did nothing, we did it all ourselves”.

Xansa has a set of morals and values which drives the organisation and strongly influences its people's attitudes to life and to business. We called our Guiding Principles the Charter and it took 18 months to produce, including 3 professionals re-writes.

8. Again, it's easy to think that business is all about economic indicators, corporations and balance sheets. But it's people, not organisations, who make the business world go round. It's people – with all their strengths and failings – who are the powerhouse at every level of business life. The creative spark for new enterprise comes from people. It's their drive that brings it to life. It's their professionalism and dedication that ensures quality. That's what makes an

enterprise flourish. Organisations are but a bunch of individuals. And it's individuals, not organisations, who make things happen.

9. The way people work and do business is changing, driven by technology, global competition and changing demands. Those changing demands are more important than anything else. Young people in particular are demanding instant rewards – and talk about pensions, hints at possible goodies in the future do not answer their concern: “What’s in it for me NOW!” Young owners of intellectual capital (critical in the new world of work) want ownership shares, and won't work for standard wages or without a piece of the action. And people's wish-list changes over the years. So Xansa continues its pioneering path by offering staff a cafeteria of benefits.

By the same token, industry also has to address the challenges posed by different employment patterns. The move to agency working; to performance related remuneration rather than time-serving. Individual bonuses. Team bonuses. Company bonuses. Company stock options. To link people to the organisation's future even if they – like many an older worker – are contracted for only a few hours each week. The mix of inducement is all-important.

Another trend is for flexibility: flexibility in timing; 24 by 7 demands that we separate working hours from corporate hours. Flexibility in pay – like the cafeteria of remuneration. People will increasingly move into semi-permanent contract employees to balance their rewards from the job market of the day with the benefits of conventional employment.

If Britain follows the States, which we usually do, staff turnover generally is estimated to double over this decade – to between 20 and 30% annually. As a corollary, by 2010, higher paid staff will probably all be using agents to negotiate their contracts – tough negotiators and expensive for the corporate! Above all the inevitable move to the Internet, now an essential adjunct of every business, requires an empowered workforce who make their own changes because they direct themselves much of the time. We have to leave behind the places that we know and like. Yes, the way people work and do business is changing.

1. Global competition increasingly applies to every business, every organisation. Continued improvement can only be achieved through people. People must be given the freedom to apply their professional skills and business acumen in a way that keeps them ahead. Quality is directly related to the performance of people. Growing an investment must logically be a people strategy.
2. The heart of management is about making things happen. And management has been feminised. Executive trappings have been curtailed; the big desk in the private office replaced by open plan. Flexible, family-friendly workstyles. Management is now about building teamwork and empowering individuals. My original concept of a modern cottage industry for women was, tho' I say it myself, a brilliant one. But it's energy and persistence that have been responsible for its success.

3. There isn't an algorithm for innovation. Innovative organisations are full of people having fun but business is organised to repeat and persist, not necessarily to innovate and create. One final reflection on those 30 years. When I founded Xansa people said:

"How interesting, but it only works because it is small".

As the company grew, the same people commented:

"Yes, it's a sizeable company but of no strategic interest".

Now that Xansa is high in the FTSE 250 and a model company of some importance, their comment is:

"but of course Steve, it's not new". What an attitude to change!

So, Chairman, I'll end my contribution to this dinner. Tho' will be happy to take questions.

I've been extremely fortunate in having been able to found and build a highly successful company in a very exciting and fast growing industry sector. I'm doubly fortunate that I can now devote myself almost entirely to good causes close to my heart.

Of course we must always listen to the market. But we must also listen to our human capital. Thank you for listening to me.