



Stanford eCorner

Leadership and Capability

Carly Fiorina, *Former CEO, HP*

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Video URL: <http://ecorner.stanford.edu/videos/1719/Leadership-and-Capability>

Fiorina explains that leadership is about three things: capability, collaboration and character. She stresses the importance of capability, which is about asking questions and listening to answers. It is also about celebrating new ideas and taking initiative to try new things. She insists that a continuous learning process is important to strengthen an entrepreneur's capability.



Transcript

I think leadership is about three things: capability, collaboration, and character. Let me talk briefly about those three, and then I'm going to take your questions. Capability. Of course, when we think about capability, we think about skills, we think about experiences, all of those things are important. But sometimes, the most important capability you can have is the capability to ask a question and hear the answer. Every time you go into a new situation, you have to ask questions to understand what's there. I tell people all the time that the single best leading indicator of whether a business is doing well or a business is doing poorly is customer satisfaction. Customers always know what's wrong. They can't always tell you what they want, but they can always tell you what's wrong. And every time they tell you something that's wrong, it's an opportunity.

So I think income statements and balance sheets are lagging indicators, very important. But an income statement or a balance sheet is a representation of decisions already made. Somebody's bought a product, that's revenue you post. A manager's made a decision, that's an expense you post. Lagging indicator. Real important, but you're looking in the rear-view mirror. They're things that tell you where a business is going. Asking the right questions of customers turns out to be really important. Customer sat is a vital leading indicator for businesses. And if you doubt me, way back in 2002, we were going through the proxy battle and the merger, and I made the incredibly outrageous comment that Hewlett-Packard would become the leading technology company in the world, and would beat both IBM and Dell.

Everyone thought I was nuts. By the way, it has since happened. But what was interesting: people said, "How do you know you can beat them?" I said, "Well, because we can replicate their cost structure, we can replicate their distribution model, and because if you'll observe, our customer sat is going up, and theirs is going down." The truth is, Dell's problems were all foreseeable. All you had to do was look at the fact that they had quit innovating, they had stopped taking risks, they were relying on the same competitive model for too long, and their customer sat was straight down. It was only a matter of time. Which is why rate of innovation, the ability to take risks, the ability to celebrate new ideas is also a leading indicator of a business. So capability: you've got to ask the right questions. Capability: you have to celebrate new ideas, take risks all the time, try new things. Because however good the answers you have had are, every person, every organization eventually reaches a time when the old answers aren't good enough anymore. And then the only thing that works is creativity and new ideas and risk taking and innovation.

The other important part about capability, I think, is to keep learning, to learn something everyday. I'm older than most of you, so I can say this with some certainty. But you know, you see people who are in their 40s and 50s, and some people at that

age, or 60s, or 70s, or 80s, and some people in that age group are vibrant. And some people aren't. And a big part of that difference is, the people who keep learning, who keep trying new things are vibrant. And the people who stop learning and stop trying new things are old before their time. It is why, or maybe it's another application of something Charles Darwin said. Charles Darwin said, "It is not the strongest of the species that survives, nor the most intelligent, but those most adaptive to change."