

The CEO Forum

THE LEADERSHIP ISSUE



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Ron Nersesian
President & CEO
Keysight Technologies



Leon Cooperman
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CEO Ron Nersesian chatting with customers and partners at the Keysight Automotive Customer Center in Novi, Michigan.

“There is tremendous growth in our marketplace, with the proliferation of IoT devices, the connected car, and the movement from 4G to 5G communications.”

Robert Reiss: Let’s start off with Keysight’s interesting history, and in full disclosure, we’re doing this interview at the New York Stock Exchange.

Ron Nersesian: Keysight started as the original Hewlett-Packard Company in a garage in Palo Alto in 1939. Dave (Packard) and Bill (Hewlett) worked for decades on high-precision electronic measurement products specifically to help engineers design electrical products, and that business grew for many decades. Eventually HP turned their focus to printers and computers, and decided, in 1999, to transform the measurement businesses into Agilent. By 2014, Agilent had evolved into several diversified businesses, including life sciences and chemical analysis, and the company split again, establishing Keysight in 2014.

You work with the top 10 semiconductor companies, the top 10 telecom companies, the top automotive companies. Describe the business.

Keysight develops solutions and offers services that enable engineers to design, manufacture, and reliably operate

“The biggest change was shifting from a product-focused organization to an industry-focused organization.”

electrical and electronic products. Our measurement instruments must be ultra-accurate to ensure that when a wireless signal reaches a cellphone, it works perfectly. Or, if an engineer is designing an autonomous vehicle, they can verify that their radar systems will precisely determine where other vehicles are on the road. Keysight is the market leading wireless test and measurement company in the world, with laser focus on the electronic technologies of the future. During our fiscal year 2017, which ended in October, we served approximately 32,000 customers, we generated \$3.2 billion in revenue, and to give you an idea of overall performance, our operating margin was 19%. More recently, we delivered another excellent quarter with strong order growth and record revenue. Total revenue growth in our second fiscal quarter ending April 30, 2018 was 31% reaching \$990 million, which was driven by broad-based core order strength as customers accelerate development in our key focus areas including 5G, automotive & energy and aerospace and defense.

In today’s economy, this is becoming increasingly more important with the advances of electrical and digital.

Absolutely. Right now, there is tremendous growth in our marketplace, with the proliferation of IoT devices, the connected car, and the movement from 4G to 5G communications. We are seeing the number of wireless devices increase into the billions. There will be more wireless devices than people in the near future, and we will help wireless device manufacturers design and produce those devices flawlessly.

Talk about the challenges you faced when you first became CEO and what strategies you have implemented.

The biggest challenge was stimulating growth. The company had not grown for decades due to its role as a healthy revenue stream within the Agilent portfolio. That made perfect sense as there were greater opportunities for growth in the life sciences business, but once we established a separate entity – Keysight – it became very clear

that growth was crucial if we were to create value for customers and shareholders.

How did you do that? You have about 12,000 employees and are turning around a fairly large ship in a fast-changing digital environment.

The biggest change was shifting from a product-focused organization to an industry-focused organization. During the Agilent years, any one customer could purchase products from as many as 10-16 different product categories. But if they needed to create a solution that encompassed the combination of our hardware, software, and services, it was complicated as it involved multiple product divisions that were aligned to products, not customers. It was a slow process that did not allow us to meet our customers’ needs.

The first thing we did was shift our focus to be from the customers’ perspective, define the segments we addressed, and determine what they needed to be successful.

We then organized the company across those segments: communications solutions, electronic-industrial solutions and network solutions, which resulted from the Ixia acquisition. In addition, we have a group that provides a range of services.



Ron Nersesian delivers the keynote address at Keysight World Tokyo.



CEO Ron Nersesian playing foosball with engineers at Keysight's newly-opened Atlanta Software Development Center at Georgia Tech.

“We just completed our second quarter and grew 31 percent compared to the same time last year. Quite an achievement for a company that had not grown in decades. In addition, our stock issued price was \$28 about three and a half years ago, and today it is trading at approximately \$60.”

Our Services organization is a horizontal business and covers repairing and calibrating equipment, selling asset management services, as well as buying and selling used equipment.

We appointed a president for each of the business groups and provided them the R&D resources needed to develop solutions that customers wanted, when they wanted them. When I say a solution, it's a complete solution, which means the business groups had to have access to all the hardware in the company, all the software in the company, and all the services in the company. A single Keysight professional can now work with a customer and

commit to delivering a comprehensive solution that solves their specific challenges. We call this our transition from hardware-centric products to software-centric solutions. Software-centric does not encompass all our offerings, but it is becoming a bigger and bigger part of the Keysight solution as data is moving faster and faster. The analysis of that fast-speed data is progressively more important to customers.

What were the financial results?

Keysight recognized 7% organic growth last fiscal year. We just completed our second quarter and grew 31 percent compared to the same time last year. Quite an achievement for a company that had not grown in decades. In addition, our stock issued price was \$28 about three and a half years ago, and today it is trading at approximately \$60.

Based on that, what advice do you have for CEOs?

The best advice I have is focus on the customer, figure out what is required to address their needs with speed and

quality. When faced with big decisions, do so quickly, or your competitors will take your business.

Let's talk about a very tough challenge you faced. I believe it was October 8, 2017?

Yes.

Walk through what happened and the challenges you faced while in Germany delivering a presentation.

I was making a presentation on the morning of October 9th in Germany and, of course, it was still October 8th in Santa Rosa, California. After my presentation, I received a text saying that there was a wildfire in the area and it was approaching our global headquarters. Immediately, we decided to evacuate the facilities. Within minutes, I made a reservation on the first flight to return to California.

What are you doing while you're on the plane? Knowing that fire is coming, are you in communication with everyone?

Yes. Luckily, I had Wi-Fi and spent a good eight hours

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working on the overall setup of our emergency response team with the heads of our human resources and facilities department. It was constant communication to establish this emergency response team and to know we were doing the right things for our employees.

Of course, I sent a message to the Chairman of the Board advising him on our plans. Once I landed, I immediately met with Keysight's leadership team to make certain we were focused on our people. The number one issue from my perspective was, “Are our people safe and is there anything we can do to ensure that they are brought to safety?” We had 1,503 employees in the area, but many people gave their cellphone numbers or their home numbers as their emergency contact numbers, and we couldn't reach them. As you can imagine, if your house is on fire or you are being evacuated, you may not think to bring your cell phone or your charger with you. At the end of the day, there were 700 employees that we could not get in touch with out of the 1,503.



CEO Ron Nersesian and volunteers gather at the Keysight Relief Center to help employees impacted by the Santa Rosa fires.

What did you do?

I asked my direct reports to contact their staff and build a network of employees that would find every single employee.

How many did you find?

We found all 1,503 by the end of the week, but it was an exhausting process that took over four days. Fortunately, 1,502 people were physically okay. One person received third degree burns over 70% of his body and was in a burn unit. I visited him in the hospital and he had a constant stream of Keysight people with him for the seven weeks that he battled for his life. Unfortunately, he passed away as it was impossi-

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ble for his body to fight off all the infections.

It was truly incredible that even though this employee did not have his parents in the U.S., the employees effectively became his family and ensured that he was taken care of.

Let’s go back to that first day.

There were a number of things we did immediately on the first day. We set up an emergency relief center providing blankets and pillows to people that had to sleep on other people’s floors. We also provided supplies and toiletries. We requested gift cards and donations to give out to anybody that needed help. Many people ran out of their homes without their wallets and lost not only their money, but all forms of identification. It is difficult to get new identification when you have no way to prove who you are, but the emergency relief center was there to help



CEO Ron Nersesian delivers the keynote address at the Automotive Tech Day & Open House held at the Keysight Automotive Customer Center in Novi, Michigan.

with their basic needs. There was food, water, and devices available at the center which we operated day and night for weeks, and we helped not only our employees at that time, but former employees and retirees, as well as anyone in the community looking for help.

I heard you also made a significant financial contribution to people who lost their homes.

Yes, we provided employees financial contributions because we wanted to offset any time lapse or money gaps from their insurance company. There were 119 employees and their families who lost their homes. We decided to give them all \$10,000 outright. Anybody who was temporarily displaced received \$1,000. We also set up a donation process for the many employees around the world who wanted to contribute – whether cash or accrued vacation to their colleagues.

But in addition to financial contributions, we hired counselors and psychologists to help employees dealing with hardships, as well as their family members. We secured temporary housing to make sure everybody had a roof over their head. Many Keysight employees offered colleagues their homes and cars.

That was most amazing. You just decided that on the spot?

Yes, there was never a doubt in my mind that it was the right thing to do. Many of these folks have been with us for decades and we hope they will continue to be with us for decades more.

What did you learn about the concept of leadership from this incredible experience?

As CEO, you are expected to run the business, take risks, get the best return for your shareholders, and shoulder the leadership responsibilities for the organization. When suddenly, there are lives at stake – the very foundation of your business – you can’t look at it purely from a dollars and cents perspective. This type of situation can test who you really are, and as a leader, you must make instant decisions that are going to have a lasting impact and legacy on the company. My strength has always been as an operational leader, but I realized I needed to draw on being

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a leader from the heart. Many were advising that the fire was not Keysight’s fault and we did not have to take on the financial responsibility for our employees. It would have been easy to agree with that. However, this was a leadership moment for Keysight and we wanted to do what was right for our employees. When I look back on my career, our actions during this trying time will be one of the proudest moments of my professional life.

Based on that, what advice do you have for CEOs?

It is easier to think and act with your head, and forget about your heart. You have to think with your heart and consider, “What if I was in this situation, what would I want and hope for from my company?” I would tell any CEO, if you are loyal to your people, and support them through good and bad times, they will be loyal to you.

Exceptional. Great having you on The CEO Show, Ron.

Thank you very much, Robert.

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Ron Nersesian and Robert Reiss. Interview aired March 22, 2018.

Ron Nersesian is president and chief executive officer of Keysight Technologies. In November, 2011, he was named executive vice president and chief operating officer of Agilent Technologies. The following year, in November 2012, he was promoted to president and chief operating officer. When Agilent announced the separation of its electronic measurement business in 2013, Nersesian was appointed Keysight president and CEO and led the launch of the new company. Keysight became a public, independent company in November 2014. Nersesian began his career in 1982 with Computer Sciences Corporation as a systems engineer for satellite communications systems. In 1984, he joined Hewlett-Packard and served in a range of management roles during his tenure. In 1996, Nersesian joined another industry player as vice president of worldwide marketing. He subsequently assumed other senior management roles through 2002, including senior vice president and general manager of the company’s digital storage oscilloscope business. Nersesian joined Agilent Technologies in 2002 as vice president and general manager of the company’s Design Validation Division. In 2005, he was named vice president and general manager of the company’s Wireless Business Unit and manager of Agilent’s Santa Rosa, California site. In 2009 Nersesian was named president of Agilent’s Electronic Measurement Group. Nersesian holds a bachelor’s degree in electrical engineering from Lehigh University and an MBA from New York University, Stern School of Business. He also serves as an independent director on the Board of Directors of Trimble Inc. and as a member of Georgia Tech’s Advisory Board.

