

EXHIBIT 2 The Marconi Way

The Marconi Way is a set of shared beliefs, which drives us forward and binds us together as a leading edge, global business.

Our beliefs set standards and expectations—for our customers and stakeholders, to bring the best out of every individual.

- Real People
- Passion and Pride
- Radical Outlook
- High Velocity
- Special Delivery

The Marconi Way is about Real People with Passion and Pride, with Radical Outlook learning fast and working together to deliver long-term success for our customers worldwide.

"Real People" Means:

Straight talkers, people who say what they mean and mean what they say. It's about creating relationships—with customers and colleagues—based on trust and respect—valuing diversity.

It's about recognizing people for who they are and not what they are.

The success of Marconi is built on confidence—facing up to challenge and uncertainty, driving change. That's because people are encouraged to express themselves and reach their full potential.

"Real People" behaviors include:

1. Acting with integrity and honesty in dealing with people, at all times.
2. Straight talking—saying what you mean and meaning what you say.
3. Valuing diversity by recognizing differences, listening to individuals, and treating people with respect.
4. Creating a working environment in which discussion of all issues, even controversial ones, is encouraged.
5. Displaying a genuine interest and empathy for others—in all working relationships—at all levels, with customers, suppliers, partners, and the local community.
6. Encouraging, challenging, and responding constructively to suggestions and criticism.
7. Involving people to achieve their full potential.
8. Being aware of overload, its impact on performance and individual well-being.
9. Working toward shared goals with no hidden agenda.

"Passion and Pride" Means:

Marconi people show by their actions that they care passionately about success—for customers, colleagues, communities, all our stakeholders worldwide. People take pride in our achievements and focus on ways to build a stronger future and a global reputation.

Individuals are self-motivated and enthuse others by showing a desire to succeed. Marconi people take responsibility, own problems, find better ways, and overcome.

EXHIBIT 2 The Marconi Way—*continued*

"Passion and Pride" behaviors include:

1. Generating a spirit of "Can do, will do," in dealings with people.
2. Behaving in an entrepreneurial manner and encouraging others to act like owners rather than employees.
3. Caring passionately about success—others enthusing about the company, colleagues, customers, and partners.
4. Going the extra mile to help create a positive, stimulating, and high-performing work environment.
5. Recognizing accomplishments by others and celebrating success.
6. Working by example—taking initiative, promoting a desire to exceed standards and expectations.
7. Demonstrating a high level of personal commitment to goals and corporate objectives—not passing the buck.
8. Maintaining a high level of morale and enthusiasm about Marconi.
9. Acting as an ambassador and advocate for the company in dealings with people outside Marconi.

"Radical Outlook" Means:

Marconi will be at the forefront of new markets, new technologies, and new thinking.

We challenge the norm by thinking radically and acting creatively; each individual makes the difference by finding new things to do and better ways to do them.

We encourage a culture of breakthrough thinking because global success depends on our ability to push the boundaries, to find smarter technologies and better solutions—faster.

"Radical Outlook" behaviors include:

1. Actively promoting innovation and creative thinking—to challenge the status quo.
2. Looking for solutions across Marconi without regard to organizational barriers—building networks and collaboration to achieve breakthrough.
3. Recognizing the ideas of others and supporting them in driving ideas forward.
4. Seeking to develop individual capabilities and contributions to radical thinking.
5. Creating the necessary time, and sharing the tools and techniques, to increase creative thinking in the team.
6. Actively seeking alternative views and encouraging "out-of-box" thinking.
7. Building a climate in which people are motivated to find new and better ways—where there's no such thing as a bad idea.
8. Recognizing innovative thinking in others and celebrating team breakthroughs.
9. Approaching problems with curiosity and an open mind.
10. Providing innovative solutions to add value to customers and partners.
11. Accepting and managing risk, rather than avoiding it.

"High Velocity" Means:

Marconi innovates, breaks through, and keeps close to the edge. Marconi people learn fast, and find better and faster ways to get ideas to the market place.

Customers win with Marconi because we listen carefully, check on expectations and act with speed and precision.

EXHIBIT 2 The Marconi Way—*continued*

More is achieved, more problems are solved and more opportunities are created, every hour of every day, because we are faster to think and faster to act.

“High Velocity” behaviors include:

1. Acting decisively, even with incomplete information.
2. Setting a clear and positive direction, and communicating this through your area of responsibility.
3. Delegating responsibility and authority effectively.
4. Being flexible and adaptable; demonstrating an ability to stop and start, fast.
5. Seeking to identify constraints and to work collaboratively with others to remove them.
6. Constantly seeking to improve processes and addressing organizational barriers, in order to focus on priority tasks and projects.
7. Anticipating future demands and trends and incorporating them into planning activities.
8. Recognizing and rewarding people who exceed expectations on delivery and quality.
9. Creating a learning environment where people are coached to get things right the first time, reviewing success as well as failures.
10. Seeking to eliminate unnecessary activities and bureaucracy.
11. Conveying a sense of urgency and driving issues to closure.
12. Communicating relevant information and sharing knowledge.

“Special Delivery” Means:

Marconi people take responsibility, to deliver each time, every time. That’s because every commitment is special—whether for a customer, the shareholders, the team, colleagues, or our communities.

Marconi people share what they know and what they are best at doing—building teamwork and team spirit, and enabling better delivery than any competitor can achieve.

The bottom line is that customers know they can rely on Marconi because customers’ needs and expectations are special to us.

“Special Delivery” behaviors include:

1. Taking ownership of delivery, making commitments personal, and welcoming feedback and measurement.
2. Being an advocate for customers at all times—whether internal or external.
3. Displaying a “whatever it takes” mentality to achieve win-win with customer relationships.
4. Setting aggressive yet realistic targets and delivering each time, every time.
5. Motivating and supporting others to deliver results by creating an atmosphere of openness, trust, and shared learning.
6. Being proactive; always seeking to anticipate needs and exceed expectations.
7. Adding personal value in working relationships and succeeding in being the customer’s “first choice.”
8. Having a non-defeatist attitude to meeting and exceeding customer requirements.
9. Having a consistent track record of delivery on commitments.
10. Fostering an environment that promotes continuous improvement and quality outcomes.

EXHIBIT 3 This Is Marconi's Finest Hour

Guglielmo Marconi's Finest Hour Inspired a Century of Innovation.

Guglielmo Marconi sent the first wireless message over 100 years ago. Yet it's a moment in time that inspires us today, because it shows us that technology can empower people to do amazing things. It reminds us that it is our legacy to help our customers achieve their own moments of greatness. Simply put, Guglielmo Marconi's finest hour remains a part of everything we do, every day.

Our Finest Hour Is Happening This Very Minute.

Today marks a new era at Marconi. It's a time of global expansion, and new partnerships to better serve our customers. All of us must take advantage of this momentum. Work together to push the boundaries of technology. Expand our customers' horizons and, in turn, take Marconi into the twenty-first century.

Helping Customers Achieve Their Finest Hour Will Be Our Mission. Every Day.

There is no higher goal than to help each of our customers succeed. To do this, each one of us must think outside the box. Overcome adversity. Defy the odds. Listen to our customers' problems and discover smarter solutions. Become a true partner in their Vision. It will take breakthrough thinking every day to help our customers achieve their finest hour. Fortunately, that's what we do best.

Our Finest Hour Today Is Just One of Many More to Come.

It's an exciting period in Marconi's history, our finest hour to date—but it's only the beginning. A new century of innovation awaits us, with new opportunities for excellence. Together we'll discover those future moments of greatness.

Just Think. This Could Be Your Finest Hour.

Being a part of Marconi means you're a part of history in the making. It means you have the potential to contribute something special, every day. But this message of empowerment isn't just our corporate philosophy. From this moment on, it is our promise to our current customers, potential customers, partners, and investors. It's a powerful message. We've taken full force of the world via a global marketing effort. Shortly, through magazines and newspapers, with television to follow, we will declare emphatically that, with Marconi's help, anyone can indeed achieve their finest hour. People will look to us to deliver innovative solutions. They will ask us for smarter thinking. So now's the time to ask: When will your finest hour be?

THE EMERGING CRISIS, SEPTEMBER 2000–AUGUST 2001

The first half of 2000 saw rapid growth of business and good earnings reports and the stock traded at an all time high of £12.50 by mid-August 2000. Marconi was a FTSE

favorite and considered the “go-go share.” The company had launched the “Finest Hour” advertisement campaign to raise awareness of its unique position and capabilities in the minds of current and future stakeholders and customers worldwide.

But for Simpson and Marconi, 2001 was a year to forget (see Exhibit 4). The U.S. market for telecommunications

equipment—representing nearly half of the global market—slowed down sharply as the dot-com bubble burst and many new entrants in the deregulated telecom services market began to fail. Demand in the European market initially remained robust, although many of the largest carriers suffered the negative effects of having to pay enormous fees for third-generation mobile-phone licenses. All of this meant that Marconi's customers delayed investment in new network infrastructure and equipment. The slowdown hit the company hard. In these challenging market conditions, some of the companies that Simpson had bought were struggling to provide expected revenue gains.

In the first quarter of 2001, many of Marconi's North American peers, such as Lucent, Nortel, and Cisco, flagged that sales and profits would be below market expectations and announced massive layoffs as the U.S. market faltered. Marconi, however, believed that it could dodge the bullets, based on its strong position in Europe and its leading position in certain key networking technologies. As late as May 16, Simpson told shareholders, "We anticipate the market will recover around the end of the calendar year, initially led by the established European operators. We believe we can achieve growth for the full year, as a result of our relative strength supplying these operators."

Simpson and Mayo faced serious questions from the institutional investors who had lost faith in the growth prospects of the telecom equipment industry in general, and in Marconi's strategy to become a global end-to-end supplier. After the close of the London Stock Exchange on July 4, 2001, Marconi confirmed the worst fears of the market, announcing that the financial year's sales were expected to be 15 percent and the operating profit before

exceptional items 50 percent below market expectations. The share price reacted to the warning and went into a freefall. Trading in Marconi shares opened on the morning of Thursday July 5, 2001, at £1.25, down 50 percent from the day before. After the surprise profit warning, Mayo was asked to resign.

On September 4, 2001, Marconi announced a trading update for the first half of its financial year, pointing to an operating loss and confirming a further 2,000 job losses (taking the total job cuts announced in the year to 10,000) and restructuring. As part of the announcement, the chairman, Sir Roger Hurn, and Simpson himself resigned from the board and the company. Derek Bonham, the senior nonexecutive director, became the interim chairman, and the board appointed Mike Parton, then head of the group's telecommunications products division, to be the new CEO. Marconi was relegated from the FTSE-100 index of the U.K.'s most valuable companies in mid-September 2001, the ultimate indignity for a once blue-chip company.

THE NEW MANAGEMENT TEAM

In the wake of this fast-moving tailspin, Bonham and Parton faced a huge set of challenges when they took over on September 4, 2001. Parton had been the CEO of Marconi Communications Limited since 1998, and in the prior 15 years had held a wide variety of positions in finance and senior management in the telecommunications industry.

Parton moved quickly, and announced his short-term action plan: to sell a host of non-core businesses, to pare Marconi down to its core operations, and to make necessary job cuts. He set a target of

reducing the debt burden from the crippling £4.4 billion as of March 31, 2001, to £2.7–£3.2 billion by March 2002 and to £2.5 billion after that.

Between September and December, Parton brought the debt down to £3.5 billion by selling non-core businesses and through bond buy-backs.

JANUARY 2002: ISSUES FACING PARTON

Parton increasingly saw the need to focus on the basics of the business—employee confidence, the business model, business processes, leadership capabilities, and underlying culture and values. Each of these was under careful review.

1. SHATTERED CONFIDENCE

Up until mid-2000, confidence in the future among the Marconi employees was strong. This confidence was not only internally felt but was also projected externally in the media campaign with the theme. “This Could Be Your Finest Hour.”

Suddenly shattered in late 2000, morale was very low by the end of 2001. The future seemed uncertain and mostly negative. The daily press continued to be unyielding in its dramatic headlines and coverage such as:

“Slump in Marconi’s Sales Raises Questions about Its Survival.” (*WSJ Europe*, November 14, 2001)

“Marconi plans 4,000 more job cuts as core business sales slump by 37%.” (*The Independent*, January 16, 2002)

“Marconi’s Performance Raises Doubts.” (*WSJ Europe*, January 16, 2002)

“Marconi on borrowed time—but still defiant.” (*The Guardian*, January 16, 2002)

"That shrinking feeling." (*Financial Times*, January 16, 2002)

Nevertheless, the responsibility to move the company forward was not universally felt. Parton in fact was concerned that some employees were "in denial." He said,

They don't feel responsible for the current situation . . . Some middle managers feel that if they keep quiet and go about their business as they had done previously, the world will forget and leave the company alone.

2. THE BUSINESS MODEL

The Marconi strategy between 1997 and 2001 was dictated by the ambition to be one of the top three telecom equipment companies in the world. The objective was to be an "end to end" supplier to its customers for the full range of services. This strategy was the driving force for the acquisitions made by Simpson.

The strategy review undertaken by Parton challenged these assumptions and questioned the sustainability of such a broad business model, particularly in light of the changed market conditions. However, given the success the organization saw between 1999 and 2000, many managers felt that the end-to-end concept was sound and workable. Parton knew he would face opposition from the ranks if he were to retreat from some market segments. He commented:

I am living with the myth that we have to be an “end to end” supplier. I have to get people to understand that we do not have to be present in all segments of the market. We have to make hard and big decisions—tactical and strategic—to lead the company through a difficult time. Change is all about unlearning and relearning, isn’t it?

3. BUSINESS PROCESSES

GEC and then Marconi underwent a series of acquisitions and disposals between 1997 and 2000. However, little effort was made to integrate the acquired businesses and their processes into Marconi. The end result was a company that had diverse systems and processes, and poorly managed information and intelligence in a rapidly changing and highly competitive industry. In Parton’s words:

What I am looking for is a stable and predictable business. At the moment we have a lot of processes that are broken. We have many companies with different processes that are not integrated. What we need is rational analysis and not decision based on intuition.

4. LEADERSHIP

Managers at GEC and later Marconi were led by CEOs considered stalwarts of British industry, first Weinstock and then Simpson. These were respected leaders who nevertheless left the company under heavy criticism. As the new CEO in a crisis situation, Parton was under close internal as well as external scrutiny. In fact, his whole team was under a microscope. Parton was concerned that the managers lacked a comprehensive “tool kit” for how to manage during a crisis and to motivate their people. He commented:

Great leadership is exemplified by taking everyone along with you, but this will be especially difficult in the coming year, because the “new dawn” for the industry is too far away to see at the moment.

5. CULTURE AND VALUES

After the huge fanfare of creating and launching the Marconi Way, other efforts to induce culture change in terms of structure, systems, and processes did not take such a high profile. Further, the systems to support

culture change, such as 360-degree appraisals and employee workshops based on the values, had not been fully rolled out.

For Parton, the Marconi Way values were clearly associated with a more positive era for the company and the previous management team. However, he felt that these values still seemed sound and reflective of the values of a large percentage of the population. He struggled with how to reinforce the values and communicate them in a crisis:

I am not trying to do a complete culture change. I want to change the top 108 leaders who in turn influence their 1,200 reports. In due course the change desired will permeate down to the 28,000 employees. However, this change has to be measurable and quantifiable. And it's OK if we lose some of the top 100 managers who do not fall in line in the process.

At this stage I do not want to stand on the soapbox and say—"Here is the Marconi Way—... now go and live that way." In fact, the Marconi Way is a mixture of what we already are and

what we need to be to succeed in the

At this stage I do not want to stand on the soapbox and say—"Here is the Marconi Way—... now go and live that way." In fact, the Marconi Way is a mixture of what we already are and what we need to be to succeed in the future. For example, we are very much "real people" and we do operate with "pride and passion." We have very low employee turnover compared to the rest of the industry. However, "radical outlook" and "special delivery" will be a key to our future, and we are by no means there yet. . . .

We are telling people to get the debt down, but I do not know how to link it to the values. You can't say—get the debt down with "high velocity." I am trying to figure out how to link this turnaround with the Marconi Way.

Parton saw the leadership conference as an opportunity to begin addressing these issues and help to create a unified, focused management team. In the meantime,