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# **Xerox Corporation: The Challenge of Overcoming a Risk Adverse Culture when Managing Change**



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# Xerox Corporation: The Challenge of Overcoming a Risk Adverse Culture when Managing Change

*“Xerox's culture took shape in the 1950s under Joe Wilson, a leader who would have been comfortable in today's new economy. He searched widely for, and then seized on, the invention of xerography. In more than a decade of bet-your-company actions, he transformed the photographic supply house called Haloid into the go-go wunderkind of the '60s and '70s called Xerox. Wilson integrated technology, marketing, sales, finance and operations in ways that should humble many of today's high-tech companies.” (Alexander)*

Xerox Corporation’s success story presents us with a vivid and sometimes conflicting contrast of a corporate culture based on a vision of aggressive technological innovation and conservative risk management. On the outset it may seem that the company’s success was due mostly to its early technological innovation and later stymied by overly risk adverse corporate management tendencies. That is the conventional wisdom surrounding the Xerox story. Regardless of results attained, Xerox presents us with a fascinating study on the dynamics behind technological innovation and risk management in the high-tech industry.

During the 1950's, 60's, and 70's Xerox blazed the trail for the office document and xerography by taking huge risks by investing large amounts of money into what were then unproven technologies. They succeeded into becoming one of the great business technological success stories of the 20<sup>th</sup> century such as IBM, Microsoft, Apple Computer, Ford, etc.

During the 1960's and 1970's Xerox invested heavily into research and development in an attempt to maintain its market leadership. This resulted in a variety of research centers to include Xerox Parc in Palo Alto, California. There Xerox paid the best technological brains in the world to brainstorm and to develop new prototype technologies no matter what the cost. A huge variety of innovative were developed there such as the mouse, graphical user interface (GUI), and laser printer. These developments were years ahead of their time. Despite these innovation Xerox deemed that developing and marketing these technological breakthroughs was too risky and would have used resources needed to maintain its market position into the Xerography industry. Due to the fact that these technologies seemed too expensive at the time, did not fit any foreseeable corporate support functions, nor did they provide any synergy with existing products they were practically given away to Steve Jobs at Apple computer. Later on, Bill Gates was "inspired" by the same technologies and incorporated them into the now ubiquitous Windows operating system.

When new technologies become available investors tend to invest huge amounts of capital in an attempt to be the first to corner future markets. Thousands of entrepreneurs and small companies have participated in this rite of passage throughout every technological inflection point throughout American history. Eventually new industries which are initially formed by thousands of small companies consolidate into few large successful players. The odds for one of the initial thousands of entrepreneurial firms to become successful and operationally

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profitable are very slim. From an investment standpoint investing in burgeoning g new technologies is extremely volatile.

Business managers are very conscientious about the risks involved in developing and marketing new unproven products especially when they are managing a company that is already successful and has everything to lose. Not only do they have to be weary of product myopia, marketing myopia, technology myopia, and a variety of other self-centered non outward looking corporate cultural tendencies that could mislead them into unprofitable ventures but they have to be able to be in a position to leverage the right market and competitive conditions necessary to flourish.

*" Can Xerox emerge as a new-economy company? We suspect the Thoman strategy that has Mr. Allaire's and Ms. Mulcahy's "full support" might move the company in that direction -- but only if they mimic Wilson's integrated approach and openness to new ideas and new people. Unfortunately, the past 30 years have demonstrated that new approaches aren't welcome at Xerox.."*  
**(Alexander)**

Despite missed opportunities during the last 30 years, Xerox is an overall American business success story even to this day. It is very competitive in a variety of synergy driven markets and is poised to defend its market position for years to come. It can be said that they have sacrificed the possibility of massive success in the personal computer and software industries for the certainty of maintaining stable dominance in industries that it has lead for over sixty years.

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