

# The CEO Forum

The Quarterly Publication **by CEOs for CEOs**

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**David Novak**  
Founding CEO  
Yum! Brands



**Eric Spiegel**  
President & CEO  
Siemens USA



**Julie Sweet**  
Group Chief Executive  
North America  
Accenture



**Steven J. Corwin, MD**  
President & CEO  
NewYork-Presbyterian



**Cutler Dawson**  
President & CEO  
Navy Federal Credit Union

## In this Issue CEO Interviews with:



**Edie Rodriguez**  
President & CEO  
Crystal Cruises



**Ganesh Ayyar**  
CEO & Executive Director  
Mphasis



**Tom Joyce**  
Executive Chairman  
Arxis Capital



**Alan Rosenbaum**  
Founder & CEO  
GuardHill Financial



**Steve Hafner**  
CEO & Co-founder  
KAYAK

# Welcome to the cognitive era.

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**A new era of business.**

**A new era of thinking.**

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# The CEO Forum



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I define a Transformative CEO as a leader who “creates new value that reinvigorates a company, reinvents an industry or reboots society.” Since writing that book (McGraw-Hill, 2012), many CEOs have asked me for insights on how they can be Transformative CEOs. This invigorates me personally, as the CEO Forum’s mission is to disseminate CEO wisdom to elevate business, the economy and society.

In this issue of The CEO Forum, which is received via hard copy by the CEOs of the 10,000 largest companies in America, and the digital flip book is received through email to our community of 9,800 CEOs, my hope is to share insights from 10 transformative CEOs to inspire our CEO readers.

We start with David Novak, who is the co-founder and 16-year CEO of Yum! Brands. Novak shares how he transformed a culture of 1.5 million employees across about 40,000 restaurants globally through one word – recognition – which is explored more in his book review, OGO. Then Eric Spiegel, who runs Siemens USA, explains the important challenges of climate change and how Siemens is transforming itself to help combat these significant issues, as one of the world’s oldest and largest organizations.

Julie Sweet, who leads 50,000 Accenture employees in North America, shares the three critical characteristics of leadership to help CEOs transform their own companies in our digital world. Next Dr. Steve Corwin, as head of one of America’s most successful healthcare systems, talks about the future of healthcare as well as his personal transformation story.

Cutler Dawson discusses the power of tenets he learned through 34 years in the Navy, which have helped navigate Navy Federal Credit Union – the world’s largest credit union – where now about half of the workforce are Millennials. Edie Rodriguez talks about transforming the world’s leading luxury cruise line.

Ganesh Ayyar discusses how he transformed Mphasis, a leading technology company with 22,000 associates, and also shares his personal story and how our digital revolution will transform business and society. Tom Joyce teaches us lessons of focused leadership when in his first day as CEO, Knight Capital Group stock dropped from \$6 a share to 14 cents a share. He then discusses his strategy to transform the culture and technology focus of the company, resulting in significant growth.

Alan Rosenbaum entered the mortgage business with a new model that led GuardHill Financial Corp. to become the leading CEO mortgage company. We then talk with Steve Hafner who as co-founder and CEO of Kayak.com completely transformed the entire travel industry by creating the leading travel search engine with about 1.5 billion searches a year.

I hope these CEOs inspire you. If you have feedback or recommendations of other Transformative CEOs, please email me directly.



A handwritten signature in blue ink, appearing to read 'RR', located in the bottom right corner of the page.

## Companies In This Issue



**OGO (O Great One!)** is a consumer lifestyle brand on a mission to turn the world on to the awesome power of recognition. OGO was founded in May 2016 by David Novak, acclaimed co-founder and former CEO of Yum! Brands. The company inspires people to harness the power of recognition to remedy what David has dubbed a “global recognition deficit” – the shortage of recognition – whether at work, home or in people’s personal lives. To start a movement and address this recognition deficit, OGO provides resources that make it easy for people to express recognition in a personal, meaningful way. Learn more at [whosyourogo.com](http://whosyourogo.com).



**Siemens Corporation** is a U.S. subsidiary of Siemens AG, a global powerhouse focusing on the areas of electrification, automation and digitalization. One of the world’s largest producers of energy-efficient, resource-saving technologies, Siemens is a leading supplier of systems for power generation and transmission as well as medical diagnosis. With approximately 348,000 employees in more than 190 countries, Siemens reported worldwide revenue of \$86.2 billion in fiscal 2015. Siemens in the USA reported revenue of \$22.4 billion, including \$5.5 billion in exports, and employs approximately 50,000 people throughout all 50 states and Puerto Rico.



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**NewYork-Presbyterian** is one of the nation’s most comprehensive healthcare delivery networks, focused on providing innovative and compassionate care to patients in the New York metropolitan area and throughout the globe. In collaboration with two renowned medical schools, Weill Cornell Medicine and Columbia University College of Physicians & Surgeons, NewYork-Presbyterian is consistently recognized as a leader in medical education, groundbreaking research and clinical innovation.



**Navy Federal Credit Union** is the world’s largest credit union with more than \$77 billion in assets, 6 million members, 288 branches and a workforce of over 14,000 employees worldwide. The credit union serves all Department of Defense and Coast Guard Active Duty, civilian and contractor personnel and their families. For additional information about Navy Federal, visit [www.navyfederal.org](http://www.navyfederal.org).



**Crystal Cruises** is a Japanese luxury cruise line. The line, a wholly-owned subsidiary of the large Japanese shipping company, Nippon Yusen Kaisha, was founded in 1988 and has its headquarters in Los Angeles, CA. It is noted for its two medium-sized, high-end ships, Crystal Symphony and Crystal Serenity, each of which carries about 1,000 guests. It is renowned for its super luxury round-the-world cruises.



**Arxis Capital Group LLC** is an electronic trading firm specializing in the automated market making of global securities. Its goal is to develop and utilize technological innovations that intelligently analyze data in order to deliver liquidity across all asset classes. It is headquartered in New York, with operations in London and Hong Kong. Arxis Capital was formed in 2014 by senior equities trading executives from Bank of America Merrill Lynch's Global Market Making Business.



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## David Novak Co-founder and Former CEO Yum! Brands



*“I said, if I ever have a chance to build a company, I’m going to make recognition the number one value in the company.”*

**Robert Reiss:** You grew up in a trailer and moved around a lot. What did you learn from your childhood?

**David Novak:** My dad was a government surveyor so I lived in 23 states by the time I was in seventh grade. My mom would check me into three schools a year and say, “David, you better go make friends because we’re leaving.” People ask me, “How did you grow up in a trailer? How did that work out?” and they think it’s some big adversity that I had to go through. I would say to them, “I succeeded because of my upbringing, not in spite of it.” I have a loving mom and dad, and all they wanted for their son was to pursue the American dream. I was the first in my family to get a college education. But I received all this encouragement and love throughout my life. I think that foundation really served me well.

**Perhaps those were the seeds of your concept of recognition.**

It was. Recognition for me began with my mom and dad who were very involved in everything I did, cheering me



# David Novak     Co-founder and Former CEO Yum! Brands

*“We said we wanted to create the Yum! dynasty with dynasty-like performance you could count on for great results. One of the things I’m most proud of is we had 13 straight years of 13% earnings per share growth. We did this by going on best-practice visits to study all the great companies in the world, which led to our Five Dynasty Drivers.”*

on, recognizing my good behavior and my not so good behavior.

## **What if you didn’t do well?**

Recognition is one of those things that needs to be earned. If you do something well and someone notices, that’s really important. Recognition says that’s someone’s watching and what you do matters. And, at the same time, you might also do things that aren’t so good, and bad behaviors need to be recognized as well. The point needs to be brought up, “That isn’t something that you should have done and here’s why.” I had that kind of upbringing throughout my life. They encouraged me and coached me to live up to high standards. They still do. In fact, my mom and dad, who are 86 and 87 years old, came and celebrated my 64th birthday the other day. So, they still love me!

## **Let’s talk about the original concept of Yum! Brands, which today is 44,000 restaurants and 1.5 million employees.**

We had Pizza Hut, Taco Bell and KFC and we used to be a part of PepsiCo. And PepsiCo decided to spin off the three restaurant brands so that they could focus on Frito-Lay and Pepsi. Besides the desire to bring more focus to their packaged goods business, the major reasons why we were spun off was that we had very poor financial performance. We faced a lot of challenges but I knew we had three unbelievably great brands that people loved all around the world. We uniquely had a global footprint in 80 countries that we’ve expanded to 130. We just needed better performance. So the goal that our team had was to get great, consistent performance year after year. We said we wanted to create the Yum! dynasty with consistent dynasty-like performance you could count on year after year for great results. One of the things I’m most proud of is we had 13 straight years of 13% earnings

per share growth. We did this by building a foundation based on going on best-practice visits to study many of the great companies in the world. We codified our learning into our Five Dynasty Drivers. One is that you create a culture where everyone counts. Two, you’re maniacal about making your customers happy. Three, you focus on your competitive brand differentiation. Four, you put process and discipline around what really matters and then the fifth thing is basically you focus on continual improvement in everything you do.

Basically, we built Yum! Brands around these drivers. But the most important thing that I focused on was the culture, the work environment for the people, because I really believe that if you get the people capability right, you satisfy more customers and then you make money. Too many times in business, people start thinking, “Hey, I want to make lots of money,” but they don’t think about how to get there. In any business that you’re in, if you have great people capability, and people feel appreciated and valued, they will look forward to going to work, and the end result is you will make your customers a lot happier and then you will make money. That’s the formula for success for any great business.

## **How do you cascade recognition to a culture of 1.5 million employees?**

The thing that I made my number one priority was the work environment, the culture. I don’t really like the word culture; it sounds too much like a germ, but what you’re really talking about is the work environment. The number one goal I had when we started was to drive what we call our “How We Work Together Principles” deep around the world. These are the behaviors that we knew happened in all the great restaurants. Things like recognition, accountability and positive energy -- these were traits that we wanted to have in every one of our restaurants and in all of our business units everywhere.

We actually did global training on these principles with great exercises that drove self-awareness and teamwork. We had all levels go through the training together. For instance, I participated in the same training in the same meeting with an administrative assistant and restaurant manager. We have this philosophy, “Don’t look up, don’t look down, always look straight ahead when you’re working with people.” So we taught everybody about our cultural behaviors that we thought were going to be really important, and recognition was one of the biggest of those.

## **I want to go back to your best practice visits and talk through the specifics.**

What we did is we wanted to build a Yum! dynasty. So we looked at the companies at the time that had consistent great performance over time. So for example, we went

to Southwest Airlines, Home Depot, General Electric, those were among the most successful companies we visited at the time. What we did is we would go as teams. So, I would go with three other people, and we would sit down and meet with the CEO or others at the company.

## **In China, for example, you have 7000 restaurants alone, so how do you balance what is geographic culture with Yum dynasty culture?**

First off, what I found is the world is much more alike than unlike. People have the same basic characteristics all around the world and they want the same things. What you find when you run a global enterprise is people want to be linked to the center that gives them a bigger sense of being a part of something that’s beyond just

*“What I found is the world is much more alike than unlike. People have the same basic characteristics all around the world and they want the same things. What you find when you run a global enterprise is people want to be linked to the center that has something that you can go to that gives them a bigger sense of being a part of something that’s beyond just that specific country.”*

We would go as high up as we could go. I would call up the CEO and say, “Could we meet with you?” If I couldn’t get a meeting with the CEO, we would then go to the chief operating officer. People love to talk about themselves and their successes. So if you have the desire to learn from other people, you would call them up. There’s very few people and companies that won’t share their best practices or give you a sense of how they’ve accomplished what they’ve done.

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## **You once told me you met every year with Warren Buffet at a KFC. What did you learn from him?**

When I first started out as a CEO, I didn’t know a lot about the investment community. I went to Warren to try to learn from the best and he has been a phenom-

enon resource to me. I’ve learned so much from him, it’s unbelievable. One thing I love about him is he told me once he tap dances to work. I think loving what you do is really an important thing and he exudes that to the hilt. The same goes for my number one mentor today, Ken Langone, the co-founder of Home Depot.

## **How do you know how to innovate in a restaurant business?**

Innovation comes from one thing -- customer insight. You have to be all over your customers. You have to understand what problems, perceptions and habits they have.

## **Do you do that through focus groups?**

I found that people are not very good at telling you what they want, but they’re very good at complaining. So

## David Novak Co-founder and Former CEO Yum! Brands



*David Novak and daughter Ashley Novak Butler discuss the founding of OGO (O Great One!) and the J.A.R., “Jackpot of Acknowledgement and Recognition.”*

what we like to do is have consumers tell us all the problems that they have with our brands, all the problems that they have with the category, and then we try to solve the single biggest problem that occurs most frequently, and that’s how we focus our innovation.

### **Something happened while you were managing Yum! Brands. What was it that led you to say it’s all about recognition?**

I always had a lot of success with building teams and having fun working with people. One of the jobs I had prior to going to Yum! Brands is I was the chief operating officer of Pepsi Cola Company. I used to go out and do roundtables every week. I would meet with five or six people in the frontline asking what’s working and what’s not working. I’m in St. Louis, Missouri and I’m talking about merchandising with a group of route salesmen. These are the guys who drive the Pepsi trucks. And they’re all raving about this guy named Bob, who’s sitting across the table from me. They’re saying, “He taught me more in four hours than what I learned in my first four years.” And everybody’s raving about Bob and I looked at him and he’s crying. I said, “Bob, why are you crying?” He said, “Well, I’ve been in this company for 47 years and I’m retiring in two weeks, and I didn’t know people felt this way about me.”

### **There’s a parallel to the guy in Cleveland in your book, O Great One.**

There is. The book that I wrote is based on every experience that I had. When I saw what happened with Bob, that hit me in the gut. He had been in the company for so long and didn’t feel recognized and valued for what he did. I said, if I ever have a chance to build a company, I’m going to make recognition the number one value in the company. Then I had the opportunity to go run KFC, which at the time had very bad morale and the franchisees weren’t working well with the company. For seven years, they had no sales growth and hadn’t made their business plan. We turned the business around, but one of the reasons why we did that was I really focused on recognition and getting people to believe in and trust each other. I actually gave away a rubber chicken as my presidential award! I believe in personalized awards that are fun and let people know that you’re a little bit different and that you want to create a special environment. I always number each award and write a personalized message based on the accomplishment.

### **So you’d write on the award.**

Absolutely. I’d write on the award and basically say, “Gee, the original recipe that you make is fantastic.

# David Novak Co-founder and Former CEO Yum! Brands



*OGO (O Great One!) founder David Novak talks to his grandchildren about the importance of recognition with wife Wendy Novak and daughter Ashley Novak Butler.*

You're a great chef. Thanks for focusing on quality. I appreciate everything you do." And then I would tell that person, "Let's take a picture." I'll say, "I'm going to send you a picture of us together, but more importantly your picture is going to go on my wall, in my office because you're what makes our business tick." So now, if you come into my office, you will see pictures from floor to ceiling of people I've recognized all around the world. People will ask, "What happens if you run out of wall space?" and I say, "I'm going to put the pictures on the ceiling!" This is also in the book.

Now, I have the best office in the corporate world because when you walk into my office, there's no way you can't get in a good mood because you're just looking at all of these people who are so happy that they've been recognized for doing great things that helped build our company.

**Recognition. It sounds good and it's fun. But how do you get a return on the investment for recognition?**

This is probably the easiest question to answer and this has been quantified many, many times. There are two reasons why people leave companies. Number one, they're not appreciated for what they do. Therefore, recognition is very important so you want to drive recognition. The second thing is, they don't get along with

their boss, so you don't want to have bosses in your organizations. You want coaches who help you achieve the potential that you otherwise couldn't achieve. So to me, recognition is the soft stuff that drives hard results because we all know that if you lose talented people, it sets you back, it costs you money, your business hurts, and it's harder to get people to come in and take their place.

Another thing is, if you have a culture of recognition and appreciation, when people walk into an interview with your companies all around the world, I guarantee you they are absolutely stunned by how great your environment is and how different it is from other parts of other companies. You can feel a great workplace. You can't fake it.

**How about the leader's role in driving recognition?**

People do what the leader does. I call it the shadow of the leader. That's true in every organization. That old thing, follow the leader. It's true. So if you walk in and you see everybody that's depressed and not happy in your company, you better go look on the mirror because you're probably the same way, because people will follow the example that you set.

**What do you want to accomplish with recognition?**

What I learned was every great brand has a noble cause. And the noble cause of my book, *O Great One!* and my new brand OGO is to attack what I call the Global Recognition Deficit. There are so many people around the world that deserve recognition that aren't getting it. OGO (O Great One) is the first recognition inspiration brand for the amazing people in your life. What I want to do is show people the power of recognition, the joy of recognition. And then I'm creating personalized products that allow people to express to the people that have made a difference in their life, how important they are. Hopefully we're going to make the world a better place by encouraging others to acknowledge your OGOs and making sure that they're recognized.

**Let's shift gears and talk about health. I know from what you've gone through that it's really important to you, and also to your wife, Wendy.**



## David Novak Co-founder and Former CEO Yum! Brands

*“The great thing about recognition is it’s contagious. Once you start doing it, other people will love it and other people appreciate it. Eighty-three percent of employees say that their supervisors don’t recognize them for what they do. Sixty percent say they value recognition as much as money. Almost half the people say they’ll work harder and put more energy into their job if they’re recognized.”*

Well, my wife is a juvenile diabetic. She’s been a diabetic since she was seven years old. She’s really my OGO, the amazing person in my life. She’s just such a great example for positive energy in tackling her disease every single day. The problem with diabetes is that it never goes away. You have to fight it every single day throughout your life. This past year, I was diagnosed with breast cancer. Now, the good news about breast cancer is that you’re not hit by a bus. You have the time to basically tell all of the people that you love that you love them, and then people come out of the woodwork and tell you what they appreciate about you. I think that’s really been amazing to me.

So to me, this burden, the burden of having cancer has in some ways become a blessing. What I say to everybody as it relates to recognition is, “Don’t wait until you get hit by a bus. There are lots of people in your company, in your life, in your family, friends, associates that really have had a big impact on your life. So recognize those people today. Don’t wait. Don’t wait until it’s too late.” The great thing about recognition is it’s contagious. Once you start doing it, other people will love it and other people appreciate it. Eighty-three percent of employees say that their supervisors don’t recognize them for what they do. Sixty percent say they value recognition as much as money. Almost half the people say they’ll work harder and put more energy into their job if they’re recognized. So this makes such enormous sense. All I’m doing is trying to build a company based on that fact and writing the book OGO was a way to begin to get the news out.

**Well, David, on those inspirational points, thank you and it has been a real pleasure having you on The CEO Show.**

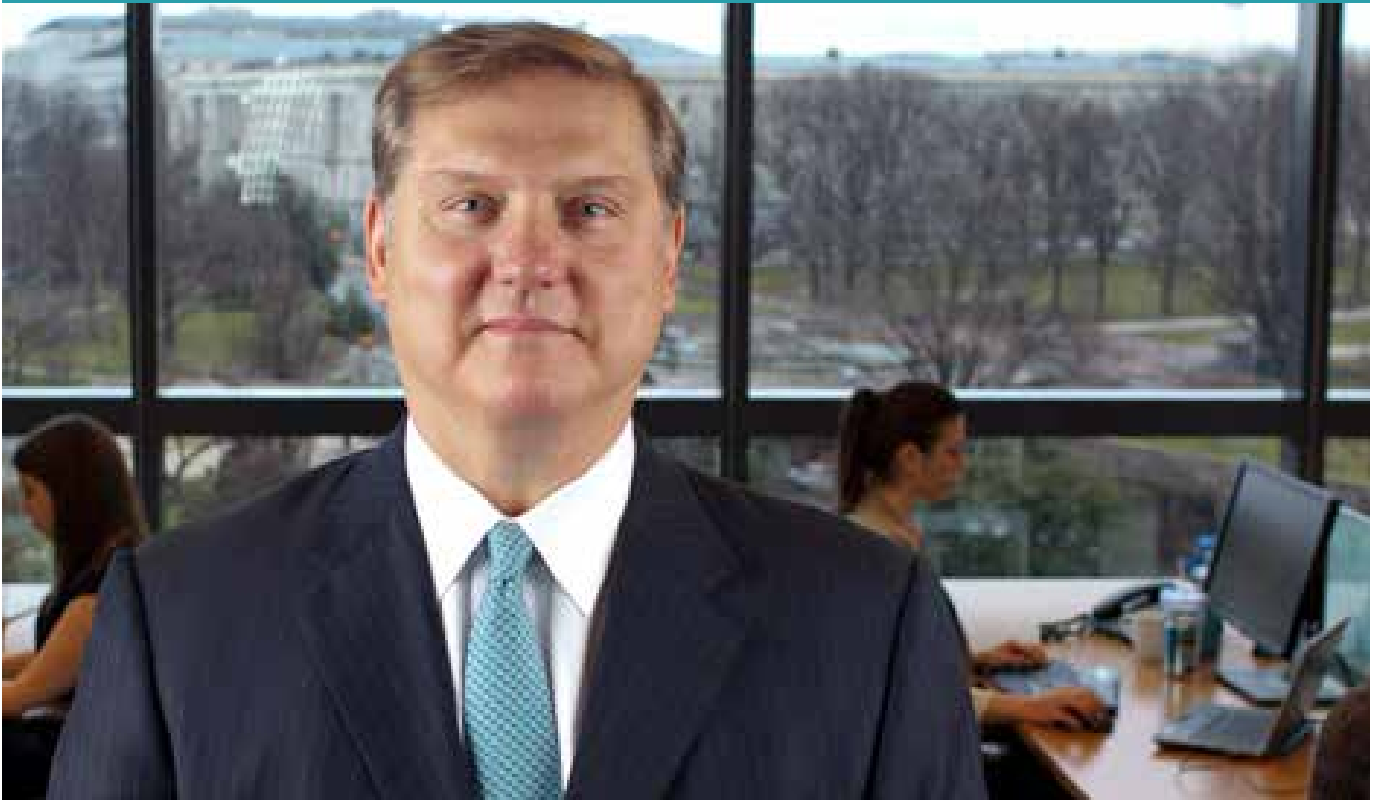
Thank you, Robert. I appreciate it.



*David Novak and Robert Reiss – Interview aired: 1/8/2017*

*David Novak is co-founder and former CEO of Yum! Brands, one of the world’s largest restaurant companies. A renowned expert on leadership and recognition culture, Novak is the author of the critically acclaimed book “The Education of an Accidental CEO,” New York Times bestseller “Taking People With You,” as well as “O Great One! A Little Story About the Awesome Power of Recognition.”*

*Novak also created the largest privately funded leadership service program in middle schools and high schools called Lead2Feed, and is the recipient of the 2015 Horatio Alger Award for his commitment to philanthropy and higher education. Novak is launching a new consumer brand, OGO (O Great One!), with the mission to inspire people through joyful, personal acts of recognition that deepen relationships. Novak’s wife of 41 years, Wendy, is his OGO and the greatest inspiration in his life for her brave fight against and advocacy for Type 1 diabetes.*



*“Siemens, one of the oldest, biggest companies in the world, is now transforming into a tech company.”*

*At the end of 2016, Eric Spiegel will retire as CEO of Siemens in the U.S. “It has been an exciting seven years,” Spiegel said. “I am tremendously proud of what my team and I were able to accomplish for one of the world’s leading industrial companies in its largest market.”*

*As CEO, Spiegel was successful at not only growing Siemens’ business, but in growing the global company’s reputation as a critical contributor to America’s economic, manufacturing and innovation engines. The company has led the national conversation on several important topics, including the need for modern workforce training, the impact of industrial software and the digital revolution in manufacturing, and America’s energy future and the responsibility and opportunity that the business community has in advancing societal outcomes.*

*“These issues are important to America’s future, and as Washington transitions to a new Administration and Congress, the time is right to have the future leaders at Siemens forge these important relationships,” Spiegel said. “The timing is also right from a personal standpoint. My children, Jessica and Alan, have both graduated from college and started their own careers. My wife Doreen and I are in good health and we will now have more freedom to pursue some of our other passions.”*

*Here, in one of his last interviews as CEO, Spiegel talked about Siemens’ transformation into a tech company and how the company is turning to technology and software to grapple with one of the world’s biggest challenge: climate change.*



*Eric Spiegel observes 3-D car printing at Local Motors' Grand Opening*

**Robert Reiss: What does the Siemens mission mean to you in today's business economy?**

**Eric Spiegel:** Siemens' mission is actually pretty timeless. Our mission is to create value for customers and society. Today there is more pressure on companies to fulfill this role to help restore public trust – but this has been Siemens' approach to business since day one. Siemens really believes that a passion for addressing social challenges should drive the core business strategy. It's not acceptable to us to do well for customers on one project and deliver for society on another – it has to always be both.

I was reading recently about our founder, Werner von Siemens, who would have celebrated his 200th birthday this month. What I discovered was pretty interesting. Werner was not only an incredibly prolific innovator and inventor; he was also ahead of his time in having a vision for corporate responsibility. He saw how it would allow Siemens to develop the real key to success for any company – a loyal, skilled workforce – and did things like come up with a company pension system that pre-dated Germany's national version and supported employee profit sharing.

This brings us to today, to our President and CEO of Siemens AG, Joe Kaeser, who often says, "Companies that fail to add value for society shouldn't exist." That's a pretty clear statement, and I think it really energizes our workforce. It's become more than a quote to them – they've really taken it as a call to action. Yet this determination to do well for society has also been part of Siemens' DNA for nearly 170 years now.

**What differentiates Siemens in the market?**

Well, part of it is this ability to deliver value both to our customers and to society. But let me also say this: Siemens has been around nearly 170 years, which by itself is pretty impressive. This means Siemens has been in existence 10 times longer than the average Fortune 500 company.

So similar to how our mission, or what drives us, is timeless, the manner in which we differentiate ourselves has always been to stay on the leading edge of innovation and progress in society. Siemens has consistently been able to see what's next – whether it's a product, new technology, or a solution – and to make real what matters.

Throughout the years Siemens has invented electric trains that replaced steam; drove the early development of integrated circuits that power our electronic devices; and developed X-ray and ultrasound technologies that helped revolutionize healthcare. Today we are leaders in high-speed rail. We are pioneering digital factories. We are advancing the ball on smart grid and oil and gas technologies. If there is a big challenge to society that requires significant technological innovation and knowledge, Siemens becomes part of the solution. We differentiate ourselves by continuing to set the benchmark in the way we electrify, automate, and digitalize the world around us.

**What do you see as the key demographic and societal forces that are driving change in our world?**

Siemens looks at this in terms of some key megatrends. In terms of demographic change, the world's population is still growing, and it's aging. Additionally, more and more people are moving to cities; there's vast urbanization happening. By 2050, 70 percent of the world's residents will live in cities, up from just over 50 percent today.

Something else that is happening is that all the ways software has changed our consumer lives are now occurring in the industrial world. We are on the verge of a fourth industrial revolution where a lot of the brainpower and energy that has gone into creating apps from our smartphones will instead be at work developing applications for smart factories. In the next five years we are going to see an exponential increase in smart technology with



Workers train at Siemens Orlando Wind Service Training Center

billions more machines, systems, sensors, and products connected through the internet of things.

Then, of course, there's climate change. We are only beginning to see the ways that climate change will drive change in our world.

### How so? What's actually happening?

Well, to start, we have now lived through the warmest years on record. The concentration of carbon dioxide in the atmosphere is now at its highest level in 800,000 years, if you can believe it. So, the scientific consensus is clear: our climate is changing. Polls now show, as well, that a majority of Americans accept this view. Lastly, we now know what the ceiling is: that a two-degree Fahrenheit rise in global temperatures would be devastating to the planet.

Now the question becomes: What are we going to do in response? We can't stop urbanization. We can't ask developing countries to put their growth aspirations on hold, which has been predicted to increase power generation worldwide by more than 60 percent by 2030. What Siemens envisions is innovation. Siemens is aggressively putting technology into the marketplace that is going to help customers improve sustainability. The company has a broad portfolio related to energy efficiency, to power generation, to power distribution, to energy consumption. Now Siemens is also incorporating these solutions into our own goal to be carbon-neutral by 2030. Sie-

*"The scientific consensus is clear: our climate is changing. Polls now show, as well, that a majority of Americans accept this view. Lastly, we now know what the ceiling is: that a two-degree Fahrenheit rise in global temperatures would be devastating to the planet."*

mens was the first major industrial company in the world to make this type of pledge.

### How does climate change impact sectors like industrial, transportation and energy?

The sectors which are mentioned are some of Siemens' core business areas. Interestingly, as a portion of our economy, these sectors account for roughly three-fourths of greenhouse gas emissions. Energy is the leading contributor, but transportation and industry are not far behind it. The thing is, these sectors aren't just contributing to climate change; they're being disrupted by it.

I wrote about this in my book, *Energy Shift*, which argued that there are two major changes happening. One is that power plants are switching over to cleaner fuels. Renewable energy sources are continuing to set new records in terms of the volume of new power generation being added to the grid, which is largely a result of wind and solar getting increasingly cost-competitive with fossil fuels. Plus you have the natural gas boom. Yet another force, though, is the shift from cars running on internal combustion engines to electric vehicles, which could account for 35 percent of all new vehicle sales by 2040.

So, ultimately, the sectors that have been some of the biggest contributors to climate change have this opportunity – an opportunity increasingly driven purely by market forces more than any type of regulations – to transition to having an outsized impact in mitigating it.



**How can climate change impact different industries?**

On one hand, there are huge risks to not acting. On the other, industries and companies that embrace the potential for innovation stand to benefit, whether it's through cost savings or through new growth opportunities. I haven't mentioned this yet. But for industry, it's not just about, "How do I become more environmentally sustainable?" It's also, "How do I become more resilient in the face of potentially more severe weather?" This was a big lesson that Siemens, and I'm sure a lot of companies, learned during Hurricane Sandy. We had offices that were closed for some time.

Siemens has found that our customers, like us, have their own sustainability goals. We are forming partnerships with a lot of big industry players and supplying them with technology to help them achieve their goals. At the same time, as Siemens moves forward with our carbon-neutral pledge, companies are also starting to ask us to share our best practices.

We have hundreds of major manufacturing plants across the globe; we produce roughly the same amount of emissions as Washington, D.C. and we've learned that we really have to go system by system, from our facilities all the way through our supply chain, to lower our carbon footprint.

The three key focus areas for us in reducing carbon are our facilities, vehicles and energy use. Then what we are doing is improving facilities' energy efficiency, introducing distributed energy systems, systematically reducing fleet emissions and purchasing green electricity.

**What impact does climate change have on the economy and on society?**

It fundamentally reshapes them, and the point here is that it's really important not to ignore the impact on people. There's a tough reality that this can hurt people who have worked really hard and built careers in the industries that struggle. There needs to be a strategy to figure out how to employ these workers in other industries.

**Was there a moment when you realized the force of climate change that advanced your thinking?**

For me it was during the 2008 presidential election. Today there's more focus on the future of power – a clean power revolution, for instance. Back then, though, the candidates were more focused on the idea of energy independence, or weaning the country off fossil fuels. Both candidates, at that point, were promoting cap and trade and looking for ways to reduce emissions.

There you started to see the way climate change was starting to shift the consciousness of the country in a way that would influence policy changes along with market trends and investment. At the same time, my years working in energy consulting informed me that none of this was going to be easy, or necessarily happen quickly.



*Commerce Secretary Penny Pritzker and Siemens USA President and CEO, Eric Spiegel, at Hannover Messe 2016*

I wrote *Energy Shift* because I wanted to frame the multitude of choices that would need to be made and the many forces that would come into play. I still believe, as I did then, that the response to climate change will continue to be more grassroots than top-down. Regulations, obviously, can have a big impact in curbing emissions. But I think consumers – especially big purchasers of energy such as cities, industries and universities – are going to be leading the charge.

**How does the digital transformation and internet of things play into this?**

There is widespread agreement that U.S. infrastructure is due for an overhaul. As it's replaced, of course it can

*“Siemens is aggressively putting technology into the marketplace that is going to help customers improve sustainability. The company has a broad portfolio related to energy efficiency, to power generation, to power distribution, to energy consumption. Now Siemens is also incorporating these solutions into our own goal to be carbon-neutral by 2030. Siemens was the first major industrial company in the world to make this type of pledge.*

be made newer, but it also can be made much smarter, and because of that, more sustainable. This is an opportunity that largely exists thanks to the digital transformation and the country's rise as a software power.

A smart transportation system with more passenger rail options and with more connected vehicle technology – with more automation and shared vehicles – will dramatically reduce emissions. Then, as an example, there is growing demand for electric vehicles. Yet the contribution this could have to lowering carbon footprints will be undercut if the base source of electricity continues to be fossil fuels. And even though renewable energy sources are increasingly cost-competitive, it is really difficult to take advantage of this if you still have an analog grid. The advantage fossil fuels have over renewable, in the analog setup, is that they are not intermittent; there's less risk of having service disruptions or a brownout. But with the digital transformation and smarter grid, you're able to switch over to real-time monitoring and now you have a way to store and manage renewable assets. You can keep the lights on even if the wind isn't blowing or the sun isn't shining.

National smart grid deployment is still a ways off, but Siemens' distributed energy portfolio is allowing customers to explore this new frontier today. The company is making a very big push into solutions such as battery storage, microgrids, and co-generation power facilities.

### **What should CEOs be thinking about and how they can prepare for what's happening?**

Get out ahead. Be proactive, not reactive. You have to be thinking well beyond the next quarter to five, ten years down the road. I remember there was that famous Wall Street Journal column published five years ago arguing how software was eating the world – and today we can really see it. The top four S&P 500 companies are now software companies while some of today's fastest-grow-

ing, market-disrupting companies are those using software to change the everyday lives of millions of people. Uber has a market cap of \$68 billion; it took us more than a century to do that!

You can't be standing on the sidelines as this is happening. Siemens, one of the oldest, biggest companies in the world, is now transforming into a tech company. I'm not sure if anyone would have predicted 10 years ago that an industrial company like Siemens would have 20,000 software engineers like we do today, or that we'd be launching a new venture called Next47, to work more with startups. Interestingly this is also making us more capable of being a leader in the fight against climate change and tackling social challenges writ large.

### **Are there any specific practices you have used to drive innovation throughout your organization?**

Prior to joining Siemens in 2010, I was a Senior Partner at Booz Allen Hamilton. Towards the end of my career there, I took an exciting opportunity to work in a leadership capacity for the firm in Japan. It's funny how sometimes it takes a new experience like that, immersing yourself in a new culture, to recall the value of fundamental truths you learned in grade school, for instance how to be good listener. The first thing I did when I came onboard to Siemens was travel to our offices and manufacturing facilities across the country. I called it my listening tour. I wanted to get a better sense of the issues and opportunities facing each business. I saw we had an incredible portfolio and unmatched technology and solutions. What I learned over the past seven years is that Siemens' biggest asset is its remarkable workforce. Siemens basically has 50,000 innovators who bring to the table very deep expertise in their businesses.

I also observed that we were most capable of seizing market opportunities when our workforce was collaborating across our different business divisions. I made a

big push there and now this process of breaking down silos is helping us explore some new growth areas such as distributed energy and cyber security. Had we not been able to combine products and expertise across several of our businesses, from energy to building technologies, we never could have gone to market.

### How did you codify your leadership philosophy at Siemens?

Joe Kaeser's philosophy that companies should add value to society comes from a sense of responsibility. Siemens' carbon neutral pledge, in particular, really exemplifies our seriousness about helping the world grapple with a serious problem. However, the potentially even greater impact that Siemens can have is to prove that going carbon neutral isn't just the right thing to do, but that it's actually a good business decision. The company envisions our initial \$110 million investment in efficiency measures paying for itself within five years, producing \$20 million in annual savings.

This actually applies to many other socially responsible initiatives that Siemens has. By helping veterans transition to civilian life, we gain access to great workers. By starting and promoting apprenticeship programs, we can build a pipeline of skilled workers and help rebuild the middle class. By enabling smarter infrastructure, we can reduce emissions and traffic congestion. All of these activities, though, are also driving growth in our business.

### What do you imagine Siemens accomplishing in the future?

We're now coming up on 10 years since Steve Jobs released the iPhone. And, you know, I do like to use Twitter. I appreciate that it's easier to catch a taxi now. But this is the time I've really been waiting for, when the country's software and tech culture dial in on solving big social challenges such as climate change. I think Siemens in the U.S. will continue positioning itself at the center of this. I think the company will do well but also keep doing a lot of good. As far as I know, no big company has ever successfully disrupted itself from within. But who knows? Maybe Siemens can be the first.



*Eric Spiegel and Robert Reiss – Interviewed November 2016*

*Siemens' U.S. business is the company's largest market, with over \$22 billion in sales including \$5.5 billion in exports and approximately 50,000 employees in the U.S. Siemens is a global powerhouse focusing on the areas of electrification, automation and digitalization. Siemens has approximately 70 major manufacturing sites across the U.S. and is represented in all 50 states.*

*Eric Spiegel holds an MBA from the Tuck School of Business at Dartmouth College where he was an Edward Tuck Scholar and received his A.B. with Honors in Economics from Harvard University. He is the Chairman of Ford's Theatre Society Board in Washington, D.C. and a member of The Board of Overseers at Dartmouth's Tuck School of Business and the Board of Trustees at Rollins College. He is also a Director of Liberty Mutual Holding Company, Inc.*

*Spiegel served on President Obama's Advanced Manufacturing Partnership Steering Committee and on the Department of Commerce U.S. Investment Advisory Council, where he served as Chairman of its Investment Competitiveness Working Group.*

**SIEMENS**



# Cognitive Computing:

## Augmenting Intelligence to Transform Your Enterprise

*By Tina Marron-Partridge, Talent and Engagement Global Leader, IBM Global Business*

CEOs are grappling with a host of challenges and strategic uncertainties stemming from unprecedented business disruption. When you consider the meteoric rise of Uber, PayPal, Amazon, Netflix and countless other technology-fueled brands that have upended and dominated entire markets, it is clear we are navigating a digital reality in which the status quo will no longer suffice strategically.

Research by the IBM Institute for Business Value — which surveys thousands of CEOs to report on their top-of-mind issues — underscores this paradigm shift driving heightened urgency to digitally reinvent businesses, including the underpinning technology: whereas technology used to be viewed as a support function to the business it is now redefining the value of the business itself. Chief executives know a critical determinant of enterprise success is the engagement of people and experiences they generate for customers and clients.

From now on, your organization's long-term success hinges on how fast and effectively you can digitally transform to engage your employees and customers directly and personally; not just insulating your business from the ever-increasing speed and impact of technology, but employing technology as a competitive advantage. Those who maintain focus on the core business while choosing partners with solutions proven to speed enterprise transformation, including back-office functions, will be best positioned to outpace disruption and leapfrog forward.

### Cognitive Computing: Powering Enterprise Transformation at Warp Speed

A technology known as “cognitive computing” outpaces rapid change and thrives in fluid environments. Already in use globally in all industries, cognitive capability is reaching a critical mass of attention in the C-suite and is on pace to become the great equalizer that helps large enterprises regain and maintain strategic advantage. IBM Watson's cognitive technology is a game changer because it understands, reasons, learns and interacts. Cognitive systems approach and resolve questions and “assignments” the same way humans do, but at warp speed — the speed your business must run to stay ahead. Combining the human mind with cognitive systems to assist with ingesting and interpreting massive amounts of data yields “augmented intelligence” that has no equal. This development is changing human capital strategy forever, and your business must learn to seamlessly assemble a human and “virtual” workforce.

Cognitive capabilities are being rapidly deployed to reinvent business models, reduce cost, and improve profitability, quality of service, customer and employee experience, including:

- A telecom company is improving customer experience and reducing operating costs by more than 80%, projecting \$100 million in operating cost savings over the next two years.





- An auto manufacturer amid a large recall is using Watson to drive 40% greater productivity for call center agents, providing 24x7 omnichannel contact center availability to 20+ million recall-eligible customers, enhancing its brand image, improving risk management, and booking millions in operational savings.
- A large pharmaceutical company will drive over \$100 million in incremental profit using a cognitive forecast and planning engine to predict with 99% accuracy the combined impact of its actions with market reactions.

## Augmenting human expertise to address workforce challenges

Some of the most striking cases for cognitive computing are found in workforce productivity and engagement — the core of any enterprise. Examples include:

- Finding and hiring top talent and predicting attrition: optimizing for cultural match reduces attrition and creates a stronger cadre of high potential employees.
- Exploring virtually any workforce data by asking natural language questions to help understand and predict the impact of talent related decisions. For example modeling the impacts of political and economic factors and then adjusting workforce activities has saved millions.
- Our HR “chatbot” technology based on IBM Watson, used by a large, fast-moving consumer goods company to enhance the quality and efficiency of employee advice on HR matters. The system keeps

up to date with employment regulations and corporate policies, providing “advice” to HR call centers and enabling real-time responses to employees. For HR inquiries Watson assists with, our client reports 100 percent employee satisfaction and a 50% reduction in reopened cases.

## What should your organization be doing now?

We are witnessing the dramatic impact of cognitive computing on many professions, with adoption already becoming a race. Who can skill up faster and derive meaning most efficiently? It was evident at the recent World of Watson gathering of 20,000 cognitive enthusiasts that if you are not already looking for ways to incorporate augmented intelligence into your value model, your competitors are.

Regardless of size or industry, your enterprise should investigate how to benefit from cognitive technology. Select your partners wisely to ensure depth of industry and process expertise. Look for those with the resources to drive continued innovation combined with the broad-based experience to help you transform at scale.

*Tina Marron-Partridge is the worldwide leader for IBM's Talent and Engagement practice — a forward-thinking team of consultants focused on solutions and services that enable leading enterprises to leverage cognitive computing, advanced analytics and behavioral science to create the optimal culture for employee engagement and business performance.*

*Contact [tina.marron-partridge@uk.ibm.com](mailto:tina.marron-partridge@uk.ibm.com) to request a cognitive briefing with demonstrations for your C-suite team.*



*“Digital today is not about just digitizing the enterprise. It’s not just about being more efficient. It’s about being at the heart of our clients’ operations and about driving growth.”*

**Robert Reiss:** Julie, as CEO of North America Accenture, you’re running a fairly large consulting business with 50,000 employees and over \$15 billion in revenue. How do you differentiate yourself?

**Julie Sweet:** We differentiate ourselves across our five businesses: Strategy, where we envision the future for our clients; Consulting, through which we transform companies; Technology, where we deliver cutting-edge solutions; Operations, where we run key operations on behalf of our clients so they can focus on their core strengths; and Digital, where we provide mobility, analytics and interactive services to clients. We differentiate ourselves by being a leader in each one, but then also by bringing them together to provide end-to-end solutions for our clients.

Let me give you an example. If we’re developing a digital strategy for a client, the way we approach it is we not only come up with the strategy, but we implement it as well. So

the digital strategy that we develop is informed by how we actually will implement it.

We are also differentiated in that we invested ahead of the curve in order to be in a position to be a leader in key new technologies. Today, about 40% of our business is digital, cloud and security services. What's important is that digital today is not about just digitizing the enterprise. It's not just about being more efficient. It's about being at the heart of our clients' operations and about driving growth. For example, we have a cloud platform that seven of the top pharma companies use -- Pfizer, Merck, GSK to name a few. It collects data and allows the companies to analyze it and accelerate drug development. Now that's being at the heart of somebody's business.

We're also working with Celebrity Cruises to transform the digital customer experience. That's about growth and so this now becomes a CEO topic. It's no longer exclusive to the CIO and it's not just about the back office anymore.

## Where do you believe top CEOs should focus?

Leadership and culture. For CEOs, what we've seen in the last year is the discussion shifting from "Do I need a new business model?" or "Do I need a digital strategy?" to "How do I transform my workforce to embrace the new model, to live and operate in a world where there's a great pace of change?"

And I like to say we're the best example, because when we began the serious pivot of our business to what we at Accenture refer to as "The New" -- digital, cloud and security services -- we had to transform our own workforce. Now, how do you ask your workforce to lead in digital with your clients if they're using Excel spreadsheets? How do you ask them to collaborate and be innovative if they don't have the tools? So we invested in ourselves. We said, "We need a workforce that is comprised of continuous learners. And so we have digital learning boards, which have snackable content that appeals to millennials on the most important topics to their career development, because how do you ask your workforce to always be learning if you don't

provide them with the means to gain knowledge of the important, most relevant topics.

Similarly, we are the largest implementer of Skype for business which includes video and the ability to collaborate at scale -- because in order to bring innovative solutions to your own organization and clients, you have to be able to collaborate. And so, when we talk about transforming business models, you have to focus on your people, including leadership, who are going to have that same mindset.

## Do you have any best practices on genuinely engaging millennials?

At Accenture, 45 percent of our people in North America are millennials, 75 percent worldwide. What they want is authentic leadership. And so, when I became CEO of North America, where Accenture has approximately 50,000 people, I banned the memo, and focused on video and other collaboration tools like Telepresence.

## You banned the memo?

I said, "I am no longer going to communicate through memos." And so, when I send an email out, if it's about a date, fine, but otherwise, it's a video and it shares information about something -- if it's a new policy, it's explaining the new policy and then there can be a link to the policy. If it's about our strategy, it's a video talking about our strategy. And, by the way, it allows people to get to know me. I can talk about my two daughters. I

can talk about what I'm doing because people want to know that they work for real human beings who really care about them and who

have lives outside of work. We talk about Accenture being a place where you can be successful professionally and personally, and that focus is key to us getting the best talent.

## You're talking a lot about millennials; how about diversity as a concept of your internal culture?

We absolutely believe that we cannot be as innovative and smart as we need to be without diversity. We see

*"We need a workforce that is comprised of continuous learners."*

## Julie Sweet Accenture Group Chief Executive - North America



*Julie Sweet talks with Pattie Sellers, Executive Director of Fortune Most Powerful Women, at Accenture's Celebration of International Women's Day 2016.*

*“I banned the memo, and focused on video and other collaboration tools like Telepresence.”*

it with our clients. Our clients tell us that. And so, we decided this year to become the first, and so far the only, professional services company to publish our workforce demographics in the U.S. for gender ethnicity, veterans and persons with disabilities. We did so not because we were saying we had great statistics, although we're happy with the progress we've made, however we haven't made enough progress. We wanted to be transparent. Transparency creates trust. First of all it creates trust for those diverse talents to say we're serious about it. But it also helps us say to our people we need to have diversity to be innovative, and we want you to help, and we're going to be honest with where we are so you know why we need the help.

### **What's your approach to working with your clients?**

One of the things that's important about how we approach our clients is we approach them as real partners. It's not transactional. In fact, 97 out of our top 100 clients, globally, have been with us for 10 years. And we're very proud of that. And that shows that we're real partners, and I will tell you that one of the most important things we do is we don't tell clients what they want to hear, we tell them what they need to hear.

For instance, just last week I was with a CEO of a company trying to transform itself, embarking on a digital journey. They need to cut costs in order to invest more

in a digital strategy. After I met with the various members of the C-Suite, the CEO was telling me about how he needs to move quickly. He said to me, “Okay, so how are we doing as a client?” And I said, “To be honest, your C-Suite is not on the same page and you're moving way too slow.” And he thanked me and they took action. They're now getting back on a track that has the C-Suite all going in the same direction and at a much faster pace.

### **How do you get a company to have their C-Suite in alignment?**

It's really our role working with the C-Suite to understand their agenda, to understand their concerns and then when we are brought in, to advise, to really say, “Here's what we're hearing.” We use our experience working with companies across industries to say, “Here are the gaps.” And I think what's important about what we bring to clients is that our advice is relevant in the board room and in the C-Suite. We deliver strategy all the way through to implementation – I like to talk about it as insight to action. Why does that matter? It matters because it's great to have a strategy, but how does it work in process? How does it actually work when it's implemented? The advisory work we do in the C-Suite, on strategy, is fed by the continuous learning we get from actually implementing the strategy. Accountability and experience in implementation really differentiate what we do with the C-Suite.



*“Transparency creates trust.”*

**Let’s talk about your leadership philosophy and how you define the important elements in leading an organization.**

It’s such an important question today because we all know we’re living in an era of unprecedented change and we’re in the middle of a digital revolution. At Accenture, both for ourselves and our clients, we look for some key characteristics. Let me talk about those and then I’ll tell you about my own personal philosophy as a leader.

There are three critical characteristics of leaders today. The first is they must be what I would call a curious intellectual. They must be committed to continuous learning in a very disciplined fashion because you have to stay relevant. You cannot rely solely on what you learned in the past, from your degree, from your experience. So the questions I look for from my leaders are, “Tell me more” and “Why not?” And are they really learning in a disciplined fashion.

The second leadership quality I look for is being a real visionary. For many years, it was okay to be a leader who

*“We deliver strategy all the way through to implementation – I like to talk about it as insight to action.”*

was a great operator. But we don’t know where the destination is anymore. There’s no one-and-done digital strategy. We are all constantly having to update because we are in an era of unprecedented change. So, I look for leaders who are visionaries, but have the business and the technology savvy to execute as well.

The third thing I look for is what I would call “the confident captain.” In a world where things are ambiguous, uncertain and volatile, and speed matters, it may not be perfect but you have to be able to make a decision that takes into account all the analytics and the data. We see this with our clients -- we’re not engaging in year-long strategy projects and designing it for the next year,



*Julie Sweet during a Reuters TV interview on Facebook Live.*

there’s more immediacy than ever before. You have to be able to move with speed. We must have leaders who can make a decision without perfect information and set a clear direction and bring people along.

In my view the three critical characteristics of great leaders today are being a curious intellectual, being a visionary and being a confident captain, and those are the three big things that I look for and that we at Accenture look for in our leaders.

**How did you come up with those three?**

It really goes back to the pivot we made in our business when we said we really need to focus on leading in “The New” – digital, cloud and security services. That meant we had to have different leaders. Let me give you an example.

We recently worked with Harvard Medical School and the Boston Children’s Hospital to combine the design thinking that you find in the retail world with real science about pediatric growth to create a digital app that helps parents track the progress of the health of their children. That’s the sort of thing that just even a year ago, people weren’t possibly thinking about. You have to have leaders who have the vision to say, “This digital revolution is a lot more than digitizing the enterprise.” When we pivoted our business, we said, “What’s the culture we need?” and “Who are the types of leaders we need?” and we made those changes.

**What metric do you look at to know that you are successful as a leader?**



Julie Sweet at Yahoo!  
Finance, October 2016.

*“I measure my success by the success of the people that I lead.”*

I think that’s a really important question. It’s something I’ve thought a lot about and this goes to my personal leadership philosophy. I measure my success by the success of the people that I lead. If you look at who I’m sponsoring, who I’m mentoring, and if they are progressing in their career, that’s a tangible measurement. That’s something you can really see and that’s how I measure myself.

**I have a personal goal for America and that is to have 50 Fortune 500 women CEOs and you are the number 39 most powerful woman on the Fortune list. Congratulations!**

Thank you. We’d all like to someday not have a special list for women, but as long as we do, I’d rather be on the list than off the list!

**What advice do you have to women in growing their leadership and in leading successfully?**

I believe the leadership qualities that we’ve talked about – being a confident captain, able to make decisions at speed, really having that view of being a continuous learner, and working on being a visionary and not an operator – are critical. But if you want a very practical quality, another key one is being a great communicator. At every stage in your career, true, excellent communication skills are critical.

When I became a leader of 50,000 people, I said, “I’m going to ban the memo and use video because to be successful, I need to touch every one of the 50,000. I need to inspire them.” That’s what I do as the senior person, but at every level of your career, you really have to hone your communication skills.

**What is a personal challenge in business you had to overcome that taught you about leadership and about success?**

I remember back to when I was a young partner at Cravath, Swaine & Moore. At the time, I had one particular incident where I didn’t feel like I was getting the broad support I wanted, because it was very new work. It was not true and tested, and today as you think about being a great leader, you have to be an entrepreneur. You have to be willing to push into new areas. Everyone is not always going to say from day one, that’s where to go, and you need to be persistent. I didn’t collaborate the way that you really need to when you’re doing innovative work, and I almost went off the rails, and almost didn’t get to the right answer. So I pulled back, I figured it out and I used my collaboration skills, and it taught me something really valuable – that when you want to be an innovator, when you want to be an entrepreneur, you need to understand that everyone is going to be there with you. One of the really important personal qualities that I look for in leaders and that I try to possess myself is empathy,

*“The three critical characteristics of great leaders today are being a curious intellectual, being a visionary and being a confident captain, and those are the three big things that I look for and that we at Accenture look for in our leaders.”*

because you need to understand what it feels like to be on the other end of this, to not always see the vision, and you have to help people come along the journey to be successful.

## **What’s on your dashboard when you wake up every morning?**

It’s pretty simple. My mission. At Accenture, our mission is to improve the way the world works and lives - for our clients, people and communities. Every day my entire agenda is along those three things.

## **What is the future of Accenture and of Accenture North America?**

I believe great companies create their own future. And I believe that the leaders we have, the culture we have, and our focus on our clients, people and communities are going to ensure that we will continue to be a great company.

## **Julie, great having you on the show.**

Thanks for having me, Robert.



*Julie Sweet at the company’s celebration of International Women’s Day 2016*

*Julie Sweet is Accenture group chief executive-North America, leading the company’s business in its largest geographic market, which generated nearly \$16 billion in revenue in FY16. She is also a member of Accenture’s Global Management Committee.*

*Prior to assuming her current position in June 2015, Julie served as general counsel, secretary and chief compliance officer. Before joining Accenture in 2010, she was a partner in the corporate department of the law firm of Cravath, Swaine & Moore for 10 years.*

*Julie is a member of the Executive Committee of the Business Roundtable, chairing its Technology, Internet & Innovation Committee. She also serves on the Executive Council of TechNet, on the board of directors of the National Center for Children and Families and on the board of directors of the Bipartisan Policy Center. Julie is one of FORTUNE’s 2016 “Most Powerful Women.”*

*She holds a B.A. from Claremont McKenna College and a juris doctor degree from Columbia Law School.*

*Interview aired 10/30/2016*

## Steven J. Corwin, MD President & CEO NY-Presbyterian



*“I was told by a mentor, very early on, ‘Just remember, you’re a physician who happens to be a good administrator, not an administrator who happens to be a physician.’”*

**Robert Reiss:** NewYork-Presbyterian is the largest not-for-profit hospital system in America with \$7 billion in revenue, 35,000 employees and is one of the top-rated hospitals in America. What originally led you into the healthcare industry?

**Steven J. Corwin, MD:** My father grew up in New York during the Great Depression and his father died right at the time of the crash in October 1929 from rheumatic heart disease and an embolus. It was always seared into my father’s mind while growing up that he wanted somebody to help people with heart disease. My maternal grandfather died of a heart attack when I was in fifth grade and that spurred me on to medicine. These two factors guided my interest in cardiology at a very early age. It’s one of those things that I’ve always had a passion for. I don’t think I ever wanted to do anything else in life other than medicine.

I went to the six-year medical school program at Northwestern, graduating at the age of 23 in 1979, and the only



# Steven J. Corwin, MD President & CEO NY-Presbyterian

*“We had a security guard at Morgan Stanley Children’s Hospital who resuscitated an infant in the driveway, got that infant to the ICU, ensuring that child’s survival. You have to take that security guard and hug him because that’s what we are all about.”*

thing on my mind at that point was becoming the best doctor that I could be.

**You joined NewYork-Presbyterian and eventually became Chief Medical Officer.**

I’ve been a lifer at NewYork-Presbyterian. I became an internist and then a cardiologist here, I met my wife – a nurse – at the hospital. Our children were born at the hospital.

Gradually, over a period of time, I moved on to medical administration. I was asked to head a number of task forces and then intensive care units (ICUs). Columbia – then Columbia Presbyterian – got into trouble financially in the late 1980s and I took on more and more of an administrative role.

**But your goal was not to be in administration; your goal was to be in medicine. Why would you go in that direction?**

Life changes and I think we all recognize that within our careers, we have several sub-careers. I realized that I had a passion for being involved in administration; I think I had some talent doing it. I also realized that one could impact healthcare in the country, in addition to impacting healthcare among patients, by being in an administrative role.

I was told by a mentor very early on, “Just remember, you’re a physician who happens to be a good administrator, not an administrator who happens to be a physician.” And carrying that ethos of being a physician has helped me throughout my career. I understand what it’s like to take care of someone who is dying. I understand what it’s like to take care of somebody at two o’clock in the morning in an ICU.

**Is there a message there that could translate to other CEOs?**

I think that having knowledge of your business is essential;

and having a visceral knowledge of what makes the business tick is really important. I tell our trainees all the time: If you’re coming into this with a non-clinical background, you better understand clinical medicine. If you come in with a clinical background – a nurse, a physician, a therapist – you have to understand the non-clinical aspects, you have to understand how this business actually runs.

**So, how did you learn the other side?**

I learned with scrapes and bruises and a lot of hard work. I wouldn’t advise others to learn that way. I also learned it through mentors. I taught myself accounting. I taught myself how to read a balance sheet. I would read The Wall Street Journal assiduously. I would read business magazines. I would learn about leadership and management and ultimately do some coursework in the space. But now, having had that experience, with our young physicians who are interested in administration, we try to give them a path of education and learning and say, “Here is what you need to know about leadership and management. Here is what you need to know about finance.” We actually give them assignments to make sure that they have the requisite knowledge.

The way I approached it may not have been the right way, but now I have an idea of the needs of those without the background or experience.

*“You must have respect for everybody working in your organization. Respect is essential. It can be as simple as asking employees to say hello to each other. It’s recognizing people who go above and beyond.”*

**What lessons did you learn from your 32 years en route to becoming CEO?**

# Steven J. Corwin, MD President & CEO NY-Presbyterian



Steven J. Corwin, MD presents with Laura L. Forese, MD, New York-Presbyterian's Executive Vice President & Chief Operating Officer.

*“The first step to removing a lot of cost from the healthcare system is to ensure the care being delivered is high quality. If you have fewer complications, and are providing excellent quality, you’re going to reduce cost. The second step is to eliminate unnecessary utilization.”*

It’s like the dog chasing the car and finally catching it. I felt that I had proven myself as a chief medical officer and chief operating officer. The question was how I could make my mark as a CEO. I think being a CEO is different from any other job you can possibly have.

One of the core principles I feel is important for all CEOs is to be a good steward. New York Hospital was founded in 1771. There is a reason the organization has existed for almost 250 years, and I’m not going to be the guy to tank it. We need to be stewards of our organizations and move them to the next level. My thought process in becoming the CEO was “How do we make a mark? How do we make this a better place? How do we make sure that we’re financially responsible, that we do our fiduciary duty, that we guide this organization through what’s arguably a very turbulent period of time for healthcare in the United States?”

## **What were your first priorities when you became CEO?**

When I became CEO, looking at the healthcare landscape I knew that we needed to get larger. We needed to develop economies of scale. We needed to develop a regional healthcare system to meet the needs of what the Affordable Care Act put into motion. The Affordable Care Act insures more people, but it also mandates that one take care of populations. And so, our response to that was to say, “We’re going to build a regional network of care. Regardless of where you enter the system, you’re going to get New York-Presbyterian quality care.” My first thought upon starting as CEO was, “I’ve got a great

academic medical center, I’ve got great faculty from two terrific medical schools, Columbia and Weill Cornell; let’s leverage these assets.”

## **That’s unique, isn’t it?**

It is, and what makes it unique and fantastic for our patients is that these are some of the best physicians in the world. If you look at Medicare mortality statistics for heart failure, pneumonia and heart attack, we’re at the very top – nationally. That’s due to the great care that you receive from the hospital and our great physicians. We have sought to leverage the talent of those physicians in a regional system of care. We’ve done this by making the decision with our partners, Weill Cornell and Columbia medical schools, to develop an unparalleled system of regional care. This requires time and effort and goes hand-in-hand with the need to get bigger.

## **What are some unique practices that you use to build a culture across 35,000 employees?**

We all know the saying, “culture eats strategy for breakfast.” I can’t emphasize enough how critically important culture is to our organization. The culture of putting the patient first is the most important thread in the fabric of our culture. I know that all hospital CEOs are going to say that; but I also know that we always put the patient first. We extol and regularly cite examples of our employees doing something extraordinary. We reward them, publicize it and make sure that everyone knows about it. I will give you a perfect example: We had a security guard at Morgan Stanley Children’s Hospital who resuscitated an

# Steven J. Corwin, MD President & CEO NY-Presbyterian



*“I believe that you bring people on to the board who are multifaceted and capable in different industries.”*

*Steven J. Corwin, MD speaking with New York-Presbyterian physicians.*

infant in the driveway, got that infant to the ICU, ensuring that child’s survival. You have to take that security guard and hug him because that’s what we are all about.

All of this fundamentally assumes a key aspect of our culture: respect. You must have respect for everybody working in your organization. Respect is essential. It can be as simple as asking employees to say hello to each other. It’s recognizing people who go above and beyond. For example, a unit clerk, responsible for greeting patients at one of our ICUs, noticed that an elderly man came in to visit his wife – who was very sick – daily, spending all of his time with her there. It was Valentine’s Day and the unit clerk got him a card and said, “I thought that you might like to give this to your wife.” If you can’t recognize someone like that and show that as the CEO, this matters to you, then you shouldn’t be a CEO.

**You have 9,000 physicians who come from a very different academic mindset than other employees. How do you manage the different types of cultures that you have?**

One of the great aspects of running a healthcare institution is that it is very clear what the mission is. It’s all about the patient, all the time. I have found that no matter who the physician is, when you say, “Let’s think about what’s best for the patient,” you always get to the correct result because they know that I have been in that position before; this resonates with doctors. But more importantly, I think everyone has that ethos of, “We should be doing the right thing for the patient. Let’s put politics and any squabbles aside.” That is really where it comes from.

I don’t mean to minimize execution because you can have a great strategy, but unless you execute on that, you can’t make it happen. However, I think execution depends on culture. Can you get somebody to drive toward that result? Can you get somebody to understand what it really means to be customer-centric? You need to be able to illustrate what it really means to go the extra mile, so that everyone on your team says to themselves, “I should be doing that.”



*Steven J. Corwin, MD addressing the New York-Presbyterian staff*

**Out of 5,000 hospitals, you rate in the top six in America already. What is the future for New York-Presbyterian?**

We want to be number one. We want to be number one

# Steven J. Corwin, MD President & CEO NY-Presbyterian



*Steven J. Corwin, MD with members of the team at The Spine Hospital at NewYork-Presbyterian*

because we want New Yorkers to feel that they've got the best hospital in the country. Rating systems are arbitrary to a certain extent, but our goal should be nothing short of being number one. Because that means that we're delivering the very best possible patient care. We want patients entering our system to say to themselves, "I have the best chance at surviving and having a good outcome if I go to NewYork-Presbyterian."

Our focus – for the near term – is on how healthcare is changing and will continue to change. You're seeing huge strides in the treatment of cancer. You're seeing big changes in the treatment of neurological and cardiac diseases. It's an exciting place to be at an exciting time. We are going to see healthcare continue to get better.

I know we all focus on the cost aspect of healthcare. I actually think we can take a lot of cost out of the healthcare system. The first step to removing a lot of cost from the healthcare system is to ensure the care being delivered is high quality. If you have fewer complications, and are providing excellent quality, you're going to reduce cost. The second step is to eliminate unnecessary utilization. As a hospital CEO, you're in the position where your top line

*"I think execution depends on culture."*

revenue doesn't grow unless your volume grows. So the question you ask yourself is: How can I reconcile reducing utilization, while at the same time trying to encourage utilization? My answer to that is: We should do everything we can to get unnecessary utilization out.

Specific programs at NewYork-Presbyterian are focused

on reducing costs by eliminating unnecessary utilization. We have an extensive second opinion program. We do a lot around telehealth. We believe that the remaining utilization will come to us because of our quality.

**Will the future of American healthcare be that there are larger health systems and more specialized hospitals?**

I think it's inevitable. Consolidation was inevitable. I think the Affordable Care Act accelerated that. You have to have economies of scale. You have to develop regional systems of care to be able to take advantage of that. The capital required in hospitals now, both with information technology and brick and mortar, requires real scale. So consolidation will happen, and I think we will end up with a public-private partnership that makes sense.

I'm a big believer in the expansion of Medicaid for the poor and indigent. I'm also a very big believer in employer-based healthcare. I think the combination of Medicaid, Medicare and employer-based healthcare gives us a vibrant system.

**What can CEOs do to reduce healthcare costs in their own organization?**

CEOs know that what drives healthcare cost is a small percentage of their employees. So health and wellness and prevention are good long-term strategies. One example – among others – is getting people to smoke less. The best thing CEOs can do is to take a look at those employees who are driving most of the cost and work to get them cared for in a meaningful way.



# Steven J. Corwin, MD President & CEO NY-Presbyterian

We did an experiment with an indigent population in Washington Heights, which is in northern Manhattan, called the “Targeted Care Initiative” which resulted in reduced ER visits and admissions in asthmatic, diabetic and congestive heart failure patients by 30% across the board. If you address patients who are chronically ill and likely to use the hospital frequently, you will reduce their cost of care.

## **What advice do you have on board governance and board selection?**

I’m a big believer in transparency with the board. I believe that you bring people on to the board who are multifaceted and capable in different industries. I can’t tell you the number of insights I’ve gotten from people who run big companies that are not in healthcare. A perfect example is to look at information technology. Everyone has huge information technology issues. Hearing somebody from a communications company telling me, “This is what I think about information technology,” is beyond informative. The rewards will come from being transparent with your board and involving them in the strategy conversations.

## **What’s your take on the future of healthcare in a digital world?**

I think that telemedicine has the ability to potentially transform the healthcare landscape in terms of access, quality and cost. Imagine having a sick parent who can have a telemedicine visit, instead of having to lose a day of work to take them to an office or hospital. Imagine having a second opinion at your beck and call. Imagine having an experienced radiologist read a scan from 200 miles away. We have all of this now and it’s very exciting. Telemedicine has great promise and people should consider this as they think about the future of medicine.

## **Steve, a pleasure having you on the CEO Show.**

Robert, thank you very much. It was very enjoyable.



*Steven J. Corwin, MD and Robert Reiss – Interview aired: 09/18/2016*

*Steven J. Corwin, MD, is President and Chief Executive Officer of NewYork-Presbyterian.*

*Under Dr. Corwin’s leadership, NewYork-Presbyterian has nearly doubled in size, providing world-class care to more than 2 million patients per year.*

*After playing an instrumental role in the successful full-asset merger of NY Hospital and Presbyterian Hospital, one of Dr. Corwin’s core focuses as CEO has been on introducing innovative approaches to patient-centered care – with an eye on creating new pathways around access to care. Dr. Corwin also has been a champion for numerous technological initiatives, including on-demand access to electronic medical records, telehealth programs and digital health incubation.*

*Prior to becoming CEO, Dr. Corwin served as Chief Medical Officer and later Chief Operating Officer; he began his career as a cardiologist and internist at NewYork-Presbyterian in 1979. Dr. Corwin serves as president of the Board of Directors of the Greater New York Hospital Association.*



*“Navy Federal’s philosophy is pretty simple. We don’t want someone to take our products or services if they’re not a good fit for them. In addition to that, it’s extremely important that we never ask our own employees to present a product or a service that they aren’t proud to present.”*

**Robert Reiss:** Navy Federal Credit Union was founded in 1933 with only seven members. Today, it is the largest credit union in the world with six million members. You also have 14,000 employees and have won the 100 Best Companies to Work For several years running. What is the business model?

**Cutler Dawson:** Navy Federal is a credit union, therefore we are owned by the members of the Credit Union. So our business model is pretty simple – we take in savings and then we make loans to members that need loans. We try very hard to do what’s right for our members and in return, they’ve been doing a lot of business with us.

**To what do you attribute your growth?**

We’ve done a couple of things. First off, we try to maintain the culture that we always had and that is doing the right thing by our members, putting them in a product or service that’s right for them. In addition to that, we

became more aggressive in our marketing a few years ago and that's made an awareness of us and for members and potential members. As a result, we've seen a big lift in our business.

## **What are you doing to connect with Millennials and next generations like Centennials?**

We've had a lot of practice with this age group because that's the age at which young men and women join the service. And when they join the service, they typically join Navy Federal. We've had that crucible to test from for a long time. I just see it as an evolution and we have to keep track of who they are and what they want. Last year, I was at Great Lakes, visiting the new recruits and during boot camp, I asked the question what they missed the most. They said, "Cell phones." So we've been working very hard on delivery of information and product to them in a digital format. Roughly half of our workforce of 14,000 folks are Millennials and they're terrific. They really care about what they do. They want an organization that they can be proud to work with and for and they do whatever it takes to make things happen.

**On a slightly different path, I know the banks have been faced with the very challenging yield curve for several years and were able to get a little bit of relief last year. And there is talk of a little bit more relief coming up in the future. From Navy Federal's size and market thinking about that, how has that helped you deal with the yield curve challenge that you've been facing?**

I hear a lot of discussion about the yield curve. It really has not impacted us. We're increasing our lending every year. Last year in 2015, we made over 325,000 automobile loans alone. If you offer something that's reasonably priced and is fair

to the member or the consumer, they're going to take you up on it and then you have to do the appropriate things to make it work from there.

## **We've spoken before about your philosophy of only providing products that people want.**

Navy Federal's philosophy is pretty simple. We don't want someone to take our products or services if they're not a good fit for them. In addition to that, it's extremely important that we never ask our own employees to present a product or a service that they aren't proud to present.

## **For several years, you have been on the list of the 100 Best Companies to Work For in America. What is your philosophy on culture and do you have any unique practices that you use to engage employees?**

One that comes to mind is loyalty. Our belief at Navy Federal is that loyalty goes two ways. We want employees to be loyal to Navy Federal but, in return, Navy Federal needs to be loyal to them. We have been very fortunate at Navy Federal. In the 83 years that we have existed, we've never had a layoff.





## Cutler Dawson President & CEO Navy Federal Credit Union



*“We have been very fortunate at Navy Federal. In the 83 years that we have existed, we’ve never had a layoff.”*

### **How did you accomplish that?**

We work at it. In 2009, we had a business line that we decided to exit. We had 90 people in that line of work and we placed each and every one of them in another position within Navy Federal. That’s what I mean by loyalty.

### **What happens if someone doesn’t work out or is wrong for the culture?**

They go somewhere else to work. It’s not that hard. Our own employees are the best judge of that and they do a great job at it.

### **How about reaching out to members?**

Since the members actually own the credit union, we try to reach out to them when we think they’re ready to listen. What major events are coming up in their lives? Are they looking for that first car loan? Are they looking to buy that first house? How can we make them understand that we’re ready to be there when they’re ready.

That’s our key. We’re thinking all the time about how we connect with our member community. We try to have all channels available that our members can touch us with. What I mean by that is we have 292 branches around the world. If they want to come into a branch, we believe in our branch network. If they want to call on the telephone, we have a 24/7 call center. And by the way, our average speed of answering for this last month was 47 seconds. We’re very happy about that. We also try to create efficiencies in the way we talk to our members on the phone which pays dividends for us. When I first came to Navy Federal 12 years ago, our wait time was as much as 45 minutes, not 45 seconds. And we said, ‘We’re not going to survive in this world if we don’t improve on that.’

### **What was the process to go from a wait time of 45 minutes to 45 seconds?**

We went to our Board of Directors and we said to them, “We need to make an investment in people that work at Navy Federal. We need to answer the phone. We need to



*“Mobile is the future. Last year, we had 440 million mobile hits by our members. Going back five years, we had no hits.”*

open more branches.” And they said, “You’re absolutely right.” Guess what? When you answer the phone, people will do business with you.

**If someone wants to become a member of Navy Federal, how would they do that?**

Our membership includes those that are on active duty in the military and their families and those who have retired. The best way to join us is either to marry into a family that is part military or join the service.

**You joined as CEO in December of 2004. What would you say is most important on your dashboard as a CEO?**

That’s simple. The most important thing on my dashboard would be the employees at Navy Federal. In fact, that’s why the Board of Directors selected me to be the president. They wanted someone that will take good care of the employees.

**With your employees, what’s your thinking on branch growth?**

We have 292 branches and we’re on a pace to open 20 new branches a year for the foreseeable future. But even with that, we think we are a long way away from being over branched. It’s just not a whole lot of branches for the whole country and for those overseas. Mobile is the future. Last year, we had 440 million mobile hits by our members. Going back five years, we had no hits. What we see when we put in a new branch is that even though members may not go into the branch, there is a lift in the area around our branch because people have a confidence that they can go into one of our branches and speak with a member service representative.

**Thinking about the employees that are out working in the branches, how do you ensure consistency of quality, of education, of training on your products and your services, and consistency of member interactions?**

We think about that all the time. We have very extensive training. We have a culture that is really easy to pass on. We have people that come to work for us and they quickly adapt to the culture of trying to do the right thing by people. We don’t have sales goals or quotas. We just try to present a product that’s useful for members.

**What’s your take on service centers that are technology-centric?**

There’s a place for that but people like to talk to people sometimes, particularly when they’re making a big decision like buying a new home. I was recently in Virginia Beach on the 5th of July, visiting one of our branches. There was a young couple at the branch and he was in the Navy, having returned the night before from a six-month deployment and he wanted to talk to someone about getting a mortgage loan. He wanted to do that face-to-face. He wanted someone he could trust.

**Your logo starts off with Navy. What are you doing to grow beyond the Navy?**

*“We don’t have sales goals or quotas. We just try to present a product that’s useful for members.”*

I’m chuckling because we think about our name all the time. About eight years ago, we opened up to all the ser-

## Cutler Dawson President & CEO Navy Federal Credit Union



*“If you take care of your crew and you lead by example, they will do wonderful things for you.”*

vices – Army, Air Force and Coast Guard. We thought about a name change and said, “No. It’s not about a name.” In fact, people like names that are stable and we’ve had this name for 83 years so why change it now? I met a young Army guy last year at Fort Benning and I said, “Why are you here? You’re in the Army.” He said, “Well, I’m a member of Navy Federal.” I went on to ask him, “Why are you a member of Navy Federal?” He replied, “Because you have branches all over the world where I might serve.” I then asked him who was the owner of the Mustang in the parking lot and he said, “That’s my car and I shopped with you and three other lenders and you had the best rate.” I said, “I have one more question for you. Does our name Navy Federal bother you since you said you’re in the Army?” He replied, “No, you know what it’s like for me to serve and that’s all I need to know.”

**Have you set targets based on the other services outside of Navy?**

Our target is we’d like to go after all of them – we want them. Currently we have four branches in Killeen, Texas, right outside the Fort Hood Army Base. Although there isn’t a Naval base in mid-Texas, we have four branches located there because of demand.

**Let’s talk about you personally. After 34 years in the Navy, what did you learn about leadership that you’ve applied to the credit union?**

I took command of my first ship when I was 27. It’s a very simple equation. If you take care of your crew and you lead by example, they will do wonderful things for you. If your crew thinks that you don’t have their best interest at heart, they will do the minimum to get by and they won’t be special. It all started with the crew, or in this case, the employees at Navy Federal. Do the right things by them and they’re going to exceed in anything that you might want them to do.

# Cutler Dawson President & CEO Navy Federal Credit Union



*Cutler Dawson and Robert Reiss – Interview aired: 5/29/2016*

## **How about leadership mentors you've had through the years?**

I've had many along the way. The ones to have a special place in my heart are the ones who have told me in the past, "You do the right thing and I will back you up all the way." I think that's what leaders should be all about.

## **Finally, talk about the future of Navy Federal.**

Our future is bright. We're on a growth path. We're going to add a thousand new employees going into the future. As long as we can maintain the culture – and we will maintain it by doing the right thing by our members – not doing things to them but doing the right things for them. I see no limit in what we can do.

*Cutler Dawson is the President & CEO of Navy Federal Credit Union, the world's largest credit union and a Fortune "500 Best Companies to Work For" financial institution.*

*Born in Richmond, Virginia, he is a 1970 graduate of the U.S. Naval Academy and a 1986 graduate of the Industrial College of the Armed Forces. He has a Master's Degree in Financial Management from the Naval Postgraduate School. Mr. Dawson's Naval career spanned 35 years and he attained the Rank of Vice Admiral. During his career, he had numerous assignments afloat and ashore, including Commander, Second Fleet/Striking Fleet Atlantic, in the Pentagon and on Capitol Hill, where he was the Navy's Chief of Legislative Affairs.*

*Mr. Dawson is a member of the board of the National Association of Federal Credit Unions, the Consumer Federation of America, and the Armed Services YMCA. He is also a member of the President's Advisory Council on Financial Literacy.*







*“Crystal Cruises is different in that it is the world’s most luxurious cruise line and endearingly called the “Crown Jewel” and the “Rolls Royce” of the cruise industry.”*

**Robert Reiss: Talk about the Crystal Cruises model.**

**Edie Rodriguez:** Crystal Cruises is different in that it is the world’s most luxurious cruise line and endearingly called the “Crown Jewel” and the “Rolls Royce” of the cruise industry. We have gorgeous vessels that we sail around the world, all seven seas, and all seven continents. We currently have voyages from five nights to our World Cruise of 108 nights.

**Where do you go during those hundred-plus days?**

Every year it is different but we literally go down and around the Caribbean, South America, over to Africa, over to Asia, and then Australia. It’s just an incredible itinerary and people can certainly read more details about it on our website.

**I sense a lot of people can’t afford to take 108 days off for a cruise.**



We do sell it in segments so certainly, if somebody could only go for X number of days, they could explore the segment options. We have people of your age coming on board that are running their businesses while they're on this 108-night cruise. As an example, entrepreneurs that need to have Wi-Fi connections will find them on board so they have internet access and cellphone access, and they are totally happy to run their businesses afar and take advantage of this once-in-a-lifetime-type experience.

## **Let's talk about the most discerning of consumers. What are they really looking for?**

We live in a day and age where it's all about "me, myself, and I." There are reasons why we call these devices iPads, iPhones, et cetera. So our guests want experiences. They want what they want when they want it in the flavor they want it. So being a luxury provider, we want to deliver that.

So what you may want is very different than what the gentleman in the next penthouse suite to you wants, or the family, or the couple wants. We provide a lot of options and we ensure we understand them before the cruise leaves. Everything from the type of liquor they might want in their mini-bar to the salted or unsalted nuts, down to that level of detail, right through to any special needs they may have or preferences.

We had one World Cruise guest once who was recovering and needed a recliner. We literally went out and bought a reclining chaise lounge for them to have in their suite. There are a lot of different stories of that nature but it is a wonderful experience where we create memories of a lifetime for the guest and they're doing something different in every

*"We live in a day and age where it's all about 'me, myself, and I.' There are reasons why we call these devices iPads, iPhones."*

port. We stop throughout those 108 days around the world and whether it's the Weta Caves with Sir Richard Taylor in New Zealand where they filmed The Hobbit and Lord of the Rings and visiting his private studio, or a private tour of the Vatican in Rome.

## **What if someone wants to drive a Ferrari around the Amalfi Coast?**

We provide all of that. It's all available as options and they can take all of the listed things we offer, or they can meet with our concierge and have whatever private experience they want.

## **How do you find out beforehand what your guests want, and how far do you go in terms of what to ask and what not to ask?**

We do it a couple of ways. A large percentage of our bookings come through our very valued trade partners



-- travel agents. So the travel agents are very skilled in our brand. They understand the things we are looking for and the questionnaires we send out particularly to our World Cruise guests ahead of time. So they can help their client, who becomes our guest, to fill out that questionnaire, or we do it one-on-one with one of our personal vacation planners who contacts them to go through it. But it's really about before, during and after so that's what we do ahead of time to try to understand.

Then, obviously, once they get on board, their butler would meet with them to understand any unique or special needs. When I started I wanted to hear real-time from a guest and make them comfortable enough to express if they had a challenge or an issue while they were on board. I call them "moments of truth" so we could correct, surprise and delight them while they are on board.

"Getting to number one is easy, staying there is the real challenge." And I love that expression. That is what I deliver to my team. And I want us to be ever cognizant of the guest changes, technology changes, and we need to evolve with it. While we're still delivering the world's most luxurious cruise and vacation experience, let's always be aware of how we can tweak and evolve. While there are some big things we can do, it is in the detail, in the small things, that we tweak and we evolve in the minutest detail. It is critical when you are the world's most luxurious cruise line.

## **How do you differentiate yourself in terms of the comfort level?**

Again, comfort comes in all shapes and sizes. So what is perceived as comfort from your perspective might be different from my perspective. As an example, we were the first ever at sea to roll out a concept which is called,

*"While we have won Condé Nast World's Best 19 out of 19 years, Travel and Leisure's World's Best, those things are wonderful but I think it was Bill Bradley who used to say, "Getting to number one is easy, staying there is the real challenge." And I love that expression."*

So now, when they come on board and they sign on to the Internet, a screen comes up which is a picture of me with our officers which says, "We want to hear it from you while you're on board. So please, click here and let us know if you're having any challenges, comments, suggestions." And they do that, and then that transposes into an email that goes to the Hotel Director, my Executive Vice-President of Hotel Operations, and to me. They are typically responded to in less than two hours and we correct whatever the challenge may be for that individual guest again, back to that one-to-one. Then, of course, after they cruise, we thank them for cruising with us and do a post-cruise questionnaire to make sure everything was to their satisfaction. So we always want to cover everything.

I always say we live in an evolutionary state. While we have won Condé Nast World's Best 19 out of 19 years, Travel and Leisure's World's Best, those things are wonderful but I think it was Bill Bradley who used to say,

"Pure Staterooms." Pure Staterooms are hypoallergenic staterooms. So if the guest needs a hypoallergenic environment to be comfortable, that's one example. They could book in a Pure Stateroom.

We have pillow concierges so our guests could pick what type of pillow they would like. In fact, when you enter your stateroom, there is a pillow menu.

## **What's on the pillow menu?**

Well, do you like a soft pillow? A small pillow? A fluffy pillow? A hypoallergenic pillow? There are quite a few on that pillow menu of options. So those are just some of the details.

Then, of course, if you're in one of our beautiful penthouses or penthouse suites, those accommodations come with a butler and our butlers are incredible. They are never intrusive but always there to deliver that incred-



ible service and comfort to what the individual guest is looking for. They meet with the guest upon arrival and then they understand and ask the right questions so that the guest can explain to them their individual level of comfort, and then it is the butler and the whole team on-board's job to ensure that that individual guest is delivered a luxurious Crystal experience comfort.

**How do you know how far to go and how far not to go so as not to step over the line in terms of privacy?**

That comes from good old-fashioned experience. Again, privacy to you, stepping over the line, is going to be different than privacy to me, stepping over the line. But we do a phenomenal job of training. Our EVP says, "The secret sauce is all about hiring the right personalities and then training them on the skill." There is a skill to not be too intrusive for which we do extensive training. We have 24-plus years in business delivering it appropriately, so we must be doing something right. But it is an art form and it is hard to articulate the step-by-step procedure.

**Let's talk about your leadership philosophy as CEO.**

I can sum up my leadership philosophy best as a very strong participative style of management with what I like to call, "Creative Collaboration." I look at everything we do as a team effort. This is not only the teams on land, but also the teams at sea, and how we can each contribute individually. But then, it is about how we can collectively communicate and ensure that we are all working together, steering that ship if you will, and going in one direction to get there by delivering in the most luxurious manner. It always begins and ends with profitability; make no mistake. But one of our brand mantras is, "we want to promise a lot, and then deliver more." In the luxury space, that can be challenging when you're trying to do it in a profitable manner. But we have done a phenomenal job; so much so that my first fiscal year on board, we closed out our fourth most profitable year in the history of the brand, and it represented a tremendous, tremendous turnaround. Millions of dollars in turnaround and profitably, so it's a good news story.

**How do you engage your leadership team?**

First of all, it starts from the bottom-up and then the top-down. By that I mean, one of the first things I did when I started here was to make sure that every member of that team felt comfortable approaching me, not only

*“If you’re in one of our beautiful penthouses or penthouse suites, those accommodations come with a butler and our butlers are incredible. They are never intrusive but always there to deliver that incredible service and comfort to what the individual guest is looking for.”*

having an open door policy, but as I walk from my office to the elevator in the morning, I make eye contact with everybody and say, “Hello! How are you? What’s going on?” I try to engage them and I want them to feel comfortable enough that they know I’m very approachable, because communication is the key. I want to hear from every member of our team, whether it’s the security guard in the parking lot or the receptionist at our entry way right up to my direct reports.



So, what I do every two weeks is have a direct report meeting. I have many, many different meetings and many meetings on profitability and the numbers and all of that, but this one particular meeting is just purely about communication. There is no firm agenda other than you come in, and ask my direct report. You are now in a room with your peers, and each of my team members will be communicating about their area. What’s going on? What are they up to? What the future is for their area?

What that does is a couple of things. First of all, it generates communications so that if the marketing person says they’re about to roll out something but let’s say the sales person says that they have a partner and, “That won’t work for them and here is why,” it just opens the door of communication. We are not necessarily going to change something we are going to implement, but we are better positioned to proactively communicate to that partner what we are doing so they can get ready and

harness the power of that early communication. That’s just one example.

In addition to communication, it also generates ideas. It really is like a seed, and things that grow out of just communicating in one area are incredible, and everybody feels very, very comfortable in that environment to really generate ideas so that we can creatively collaborate on what’s going to be best for our customers and for our company, while ever being cognizant of how do we address the profitability in that creative collaboration.

It also empowers each of my direct reports to then communicate down to their subordinates so we have open communication. When you are in a unique environment running a cruise line, it not only affects what you’re doing on land, but then how it

affects it at sea. So then our EVP of Hotel Operations can communicate that out to sea. So just that one meeting and that communication has really helped change and evolve our brand moving forward to continue to deliver that unique luxurious excellence that only Crystal Cruises can deliver.

**What is an example of a mistake you made in business and what lesson did you learn from that?**

Learning lessons are paramount. I have many little “Edie-isms,” many mantras that I use personally. One of them is, “It is better to dare to fail than fail to dare.” I would rather try and win my numbers up. I know I have no regrets. But I call them calculated risks and I want to give it an educated try.

So throughout my life there have certainly been things that I’ve tried that weren’t as successful as I would’ve





*Edie Rodriguez and Robert Reiss – Interview aired: 1/04/2016*

hoped for them to be. But they have certainly been wonderful, tremendous learning experiences. So for the purpose of this conversation, one example I could use is about a prior position, where we had a brand that was not well-known at all and it really needed brand exposure. We needed to break out from the sea of sameness, so how could we do that?

We produced a collateral piece that was so oversized to the point where it had to even come with its own oversized mailing envelope.

## **How big is oversized?**

If you are a regular Bloomingdale's shopper, the Bloomingdale's-size mailers they send out. So what occurred was that when the guest received this envelope with this beautiful art form collateral piece via the mail, the potential consumer/guest loved it. But because we are so reliant on our travel agents to get that message out there, they felt it was too expensive to mail. The postage was expensive. Even though that marketing piece delivered a nice commission for the agent, and it also did not fit in their brochure racks.

They did not embrace it as much as we would have liked. I would say, they all agreed it was a beautiful piece that when the consumers got it at home, they loved it. But they did not like the expense involved and that it didn't fit in their brochure racks. We had to be creative, and embrace change, so we did an email version of that the same collateral piece that they loved, so solved the problem.

## **It has been great having you on The CEO Show.**

Thank you. It has been my pleasure being here.

*Ms. Edie Maxine Rodriguez has been the Chief Executive Officer at Crystal Cruises, Inc. since May 15, 2015 and President since October 2013. In July 2015, Ms. Rodriguez unveiled the blueprint for Crystal's brand expansion, to take place over the next three years. Ms. Rodriguez leads and oversees all facets of the brand extensions including the introduction of three new classes of cruising with the recently launched Crystal Yacht Cruises (December 2015), Crystal River Cruises (July 2016), Crystal Exclusive Class Ocean Cruises (late 2018) - and Crystal Luxury Air (March 2016). She has 35 years of experience in the global cruise, travel and technology industries.*

*She served as Chief Operating Officer at Crystal Cruises, Inc. since October 2013 until May 2015. She served as Senior Vice President of Marketing and Sales/Vice President of Sales and Marketing at Azamara Club Cruises, Inc., the upscale division of Royal Caribbean Cruises Ltd. (RCL), where she worked since 2009.*

*She received a Bachelor of Science degree from Nova Southeastern University.*



# Brave Moves in a Complex World: 2016-2017 Trends

By Daryl Brewster, CEO, CECP

As global uncertainty abounds, leading companies will play an even more powerful role in shaping solutions to the challenges of our time. With a broad view of their stakeholder needs and long-term perspective of the ecosystem in which they operate, the world's best corporations will bring their resources, reach, and a readiness to address the world's most persistent issues. Sourced from the work of its 200+ companies, hundreds of discussions, and a proprietary survey, CECP: The CEO Force for Good has identified six emerging trends from 2016, with an eye to what is expected in 2017.

### 1. Purpose Driven:

While “purpose” was the buzzword of the year – media mentions of “purpose-driven” increased more than 8 fold over the past year, leading companies are taking purpose from mere platitudes to robust business strategies. Purpose is the path to reaching vital stakeholders, beyond customers and investors, to also include employees and community. It provides the rallying cry to unite under a common theme.

According to Imperative, 58% of companies that clearly articulated and understood their purpose experienced 10% growth over the past three years. Like PwC's Chief Purpose Officer Shannon Schuyler, who leads purpose efforts at a company that states they “build trust in society and solve important problems,” companies understand that they are part of a broader ecosystem.

Through CECP's support of companies' social strategies, we are helping companies identify authentic purpose statements and actions.

### 2. Long-Term Thinking:

Eighty-six percent of CEOs at the 2016 CECP Board of Boards stated that they are too short-term oriented (live polling). Letters from Blackrock, Vanguard, and State Street Global Advisors and CEOs signing the Common Sense Corporate Governance Principles called on companies to share their long-term plans, integrating environmental, social, and governance (ESG) issues. Strategic investors and leading companies are in agreement that the time is now to move trillions in funds to focus on a sustainable future.

CECP's new Strategic Investor Initiative leverages CECP's network of 200+ companies representing more than \$7 trillion in annual revenues and investors representing \$10 trillion in assets under management to fundamentally change the conversation between CEOs, Boards of Directors, and investors from short term profits to sustained long-term corporate performance.

For the first time, in the afternoon of the 2017 Board of Boards February 27, SII will convene approximately 10 leading CEOs to make long-term plan presentations to 100 major institutional investors.

### 3. Advocacy as Strategy:

According to a Public Affairs Council study, pressure to engage on social issues in the last three years has increased for 60% of companies. In areas such as workforce, environment, and diversity and inclusion, leading companies are taking brave steps, with CEOs playing the role of statesman. From Randall Stephenson, CEO, AT&T talking about race with employees, to Wal-Mart

raising wages, to Unilever addressing environmental challenges, leading companies see their integral role in pushing policy changes by starting from within their companies.

CECP gathers 50 CEOs each year at the Board of Boards to discuss advocacy as a business imperative, and counsels CEOs year round on ways to learn, step in, and lead.

#### 4. Employee Engagement 2.0:

CEOs polled at the 2016 Board of Boards said the greatest benefit to expanding societal engagement is strengthening human capital (63%, up from 55% in 2015). The employee volunteer rate, as captured through CECP data, has risen +10% over the last 8 years.

Employees who take part in the companies' social programs are said to be "purpose oriented", and report higher fulfillment through work (Imperative), are more likely to be in leadership positions (Imperative), and are less likely to leave the company (Project ROI).

The next wave of employee engagement will be personal, flexible, targeted, and peer based. Alongside traditional signature program volunteering, innovative companies are also making room for employees to live their passions through work. Employees through matching gifts, time off, and more are able to support the causes that are near and dear to them. Forward-thinking companies are using the human resources department and demographic data to personalize engagement offerings. And purpose-oriented staff are advocates bringing along those less engaged. In 2017, CECP will guide companies on this next wave of employee engagement through a virtual community, specifically focused on communicating to employees.

#### 5. Levering Assets:

CECP data show that 91% of companies are "doing good" that is not counted through its current data capture methods (2016 CECP Summit live polling). From impact investing, to data, to intellectual property, to brand and logistics, leading companies are solving societal challenges through their everyday operations. Anthem uses community-level health data to identify needs and target solutions. Nielsen's Data for Good works with the World Food Programme to track hunger in hard to reach communities and deliver aid. Through impact investing, Campbell

Soup acquired Plum Organics to meet consumer demand (Investing with Purpose, CECP, with support from Prudential). CECP is investing in an update to its measurement process to capture this "good beyond giving" through its Social Scorecard, to be released in 2017.

#### 6. Global Challenges, Global Collaborations:

Leading global companies are stepping up to address challenges by applying their natural areas of expertise. From issues central to their business and global collaborations such as UN Sustainable Development goals, companies are connecting their core business strategy to solutions in the areas of poverty, health, economy, climate, and more. CECP's Giving Around the Globe report shows that North American companies determine where to invest internationally based on various factors, including employee footprint, areas of need, engagement, competitive advantage, and growth opportunities. North American companies' have a median of 12 countries in their geographic social portfolio.

From the We Mean Business initiative with 400 companies making carbon reduction pledges, to the 51 companies such as Citigroup and Google that have committed to the White House Call to Action on the global refugee crisis, to the companies such as 3M and Merck that have partnered with the CDC Foundation on stopping Zika, companies understand the importance of high-impact collaborations to find solutions.

CECP's focus will expand in 2017 through its new Global Exchange, which is creating a worldwide outreach and response structure companies can tap as they work globally.

*Daryl Brewster is CEO of CECP: The CEO Force for Good. CECP is a CEO led coalition that believes that a company's social strategy—how it engages with key stakeholders including employees, communities, and customers—is a factor in company success. <http://cecp.co>*







*“72% of our revenue was coming from just one client, HP, and we were doing exceedingly well; but what was the nagging problem was that our direct business had stagnated for four years.”*

**Robert Reiss:** Talk about the challenges you faced when you became CEO in 2009.

**Ganesh Ayyar:** In January 2009, when I joined the company, it was at the time when the global financial crisis was at its full bloom and, in that year, Mphasis grew 45%. Our stock was at 148 and started going up; at one point it reached about 790. Everybody said, “You are doing fabulously well. When the entire industry is coming down, you are doing 45% above.” Obviously, that called for celebration.

However, there was a realization within the company that our concentration risk was going up with our largest business and equity partner, Hewlett-Packard (HP). Credit goes to the board, my leadership team, and other key members of the company to not get carried away by instant gratification. From 2006 to 2010, our entire growth for the company was coming from this single customer - HP. By the end of 2010, 72% of our revenue was coming from just one client, HP, and



*“We chose a hyper-specialization strategy of banking, capital market, and insurance for verticalization, and that was the DNA of the company.”*

we were doing exceedingly well; but what was the nagging problem was that our direct business had stagnated for four years. It's similar to when people do not exercise some muscle, that muscle starts dying, and that's exactly what happened in the company. We as a company had forgotten how to do business in the direct market. Our brand vanished from the direct market. Our customers saw us as a reliable delivery engine and not as an engine which will keep pace with them. That's why our business stagnated, and that was the realization. In 2011, we changed the course for the company.

#### **So what did you do?**

First, we could have done a cosmetic change with saying, “Let's go and grow direct business,” but we did not. We did a deep surgery in the company and said we have to grow direct business. And we've realized growing direct business is not just about sales; it is about every function of the company, so we literally split the company into two. One part focused on HP's business while the other one focused on direct business. And please remember while our business stagnated for four years, our competition was not standing still. We are surrounded by very, very competent players who are much larger than us – good brands, good service – and they had progressed in four years. And we had not exercised the muscle in four years. So, we needed to figure out a way where we could somehow gain back those four years and, by not imitating our competition but, by changing the game. The entire IT Services industry focused on scale while we chose the part of specialization and hyper-specialization. We had sales presence across sixteen countries and were investing in vertical solution across eight different industry verticals. We said, “No, time out. Let's focus on just five countries and invest in just three verticals.” We chose a hyper-specialization strategy of banking, capital market, and insurance for verticalization, and that was the DNA of the company, and that's how the story began. In many ways, the investor community was actually

shocked that we were choosing this path when we were financially doing well. They questioned, “Why are you shrinking your focus on countries in terms of direct sales force?” But now, as we look back, if we hadn't done that, this company would have vanished. I'm glad that together with my board and the rest of my leadership, we made that choice. The journey was very tough, I must tell you, but it was worth every penny that we have collectively experienced.

#### **What was the result of this hyper-specialization?**

What happened was our stock had built up because financially, we were doing very well, and I remember the first quarter of 2011 we announced the result, after HP business declined for some time. HP was our largest client, and the company had declined. We had announced our strategy of focusing more on direct and going through hyper-specialization. The market said, “Uh-oh, something is wrong,” and obviously they were more focused on scale, and they said, “Boom!” and our stock got hit 27% in one day. Not many listed company CEOs survive a 27% fall in one day. In all honesty, credit goes to my board, because they knew what we were trying to do. They were not expecting one-quarter wonder. They were committed to it, and they said, “We have to grow our direct, and we cannot play the same game as our competition. You have to find your own way. Let's go through this very first quarter after announcing the result, whatever has happened, has happened.” Obviously, nobody liked it, but the fact is we were willing to pay that price in order to continue on the journey. That was sometime in February 2011, if I remember correctly. I made it to the front page of the Business Daily. What my marketing department couldn't do to get me on the first page and front-page headline, that day did it, right? So, that was something which is etched in my memory.

#### **What lessons did you learn from such a stock price drop?**

The first lesson which is, in my view, a positive lesson is CEOs should not react to daily variation of stock price, because our job is to create a sustainable enterprise. If

*“Our stock got hit 27% in one day.”*

you start reacting, changing and dancing to the tune of everyday changes, then what you are going to do is you are not going to build a sustainable enterprise. Our role here is not to produce overnight magic for our shareholders, however our role here is to produce superlative returns on sustained basis for our shareholders.

The second lesson I learned is when you set out on a course of transformation, most of the people spend an enormous amount of time on the physical transformation of the company. What should be the right structure? Who should report to whom? What should be the right incentive schemes? Let me tell you, that is the easier bit. It is an easier choice to make. Maybe you will make wrong choices, but it's an easier choice. What is more difficult is chemical transformation of the company. How do you rewire the people, the leadership talent, the culture, the business processes which are aligned with your strategy and culture, that's a difficult one, and that cannot be done overnight. So there are certain things where we have to display patience and commitment, and we need to keep travelling. While in a transformation, most people focus on the physical transformation. I believe the key to success is actually to focus on the chemical transformation.

**So what are some specific things that you do to chemically transform the culture?**

This is interesting, and I'm going to move right to 2015 and 2016. If you study pure play digital enterprises, they display two things. The first is continuous innovation and the second is compression of time. So you have to have cultural markers, which make you effective in competing pure play digital enterprise, because they are going to

take away your customers. I will talk about the four cultural markers which we built and how we are immersing the organization into those four cultural markers. To me, the four cultural markers are: culture of experimentation, culture of empowerment, customer centricity, and outcome focused.

Let me delve into two areas first. First is experimentation. Everybody talks about innovation. Innovation is an outcome of experimentation, so if you want your company to continuously innovate, you have to build a culture of experimentation. When you build a culture of experimentation, you also need to learn the art of celebrating failures. Now if you understand India, how



*“While in a transformation, most people focus on the physical transformation. I believe the key to success is actually to focus on the chemical transformation.”*

the focus is on academic excellence, society does not tolerate failure well. We had to start building the culture of experimentation by promoting the concept of “keep trying” and responsible failures will be celebrated in this company. That's experimentation because we hope that we can bring those little innovations that will benefit our



*“If you study pure play digital enterprises, they display two things. The first is continuous innovation and the second is compression of time.”*

clients, those little innovations which are hidden in our people, so nobody has a monopoly on innovation. Everybody can innovate and we want to tap onto it.

Second is empowerment. Only when you empower people will they start making decisions. We don't want somebody just taking orders. We also want knowledgeable and inquisitive minds that are thinking and fueling our company. We have done some simple things at certain levels to experiment. For example, if you have reimbursement, nobody approves, you just file it and it's paid. Once we do a sample audit, if somebody has been unethical, they just get fired. So that's the second, and the third and fourth are obvious -- outcome focus and customer centricity. We are a small company, we want to have a soul and the smile of a small company, and that has to be experienced by our customers, and that is our mainstay. So these are the four cultural markers of the company.

**And I know you also have unique things such as doing cognitive internal and 90-day plans.**

I was very fascinated with what the world of cognitive can bring to the field of services, and obviously we are working with our clients to be in the path of relevance, but at the same time, I was very curious to see how as a services

company, we can be different. We have a very capable, young individual who joined our executive committee as the chief data officer. Her role is not just data, it is about how do you leverage data to fundamentally change the way we work and become relevant to our clients. So that is her first project and she had 90 days. Within those 90 days, you could use the output, and then if you can't produce it in 90 days, then take that project out. That's the basic philosophy. So, she undertook the project. She created an artificial intelligence-based, pattern-recognizing, self-learning system, which predicts whether we are going to win the deal or lose the deal. Multiple variables are at play, and we looked at the last two years of data and applied it. The accuracy there is more than 85%.

**Really?**

Yes, and it keeps learning. So the accuracy of it will improve, and what it has done as salespeople now say, “Ah, the system is wrong. How can you say I'm going to lose this deal, I'm going to make sure I prove them wrong.” That's the spirit I want. Why would I complain? But we have changed our governance mechanism as a result. How we look at those deals where it is predicting that we are going to lose and we look at those deals which it predicts that we are going to win. We don't take it for granted in both cases, but we have a horses-for-courses.



*“To me, the four cultural markers are: culture of experimentation, culture of empowerment, customer centricity, and outcome focused.”*

One for where it is predicting we are going to win, another one for where it's predicting we are going to lose.

**That's really a fascinating internal initiative. Let's talk about externally. You specialize in capital markets, banking, and insurance. What's happening in those fields and what's an example of something exciting that you're doing?**

Whether you are a bank, an insurance company, or you're a capital market player, the digital revolution is sweeping all the industries. You are seeing new types of players entering. Piranhas have appeared who are nibbling and slowly taking away your customers from the bottom, and will you take them seriously? So whether you look at the field of payments, it's changing so rapidly, it's unbelievable. I don't want to single out any particular player, but traditional methods of payments are falling by the wayside. Millennials don't use them anymore.

So if you are in payments business as a bank, would you

look at newer models, and is it just an adoption of technology that will do? You have to re-architect the entire fabric of the payment team or the payment company that you may have in order to be successful. In the insurance industry, auto insurance for instance, what is the basis? The driver's behavior is the basis of saying whether there is age or pattern. The moment we have autonomous cars, what will be insured? There is no driver!

Suddenly the whole world is going to change, and we can keep going, but I can tell you that almost all clients of mine, and I get to interact with CEOs and CXOs, this is at the top of their mind, what is happening in the digital space. They are thinking whether they should have a parallel brand. So there is tremendous recognition of what's happening in the world and also commitment to be successful. This is a fascinating story.

But I have one more point to add, that is if you want to compete with pure play digital, it is not just about offering. It is also about what is the enterprise? What is



*“There are various places where one can learn from, but the story starts with self.”*

the culture? What is the business process? What is the organizational model? It goes deeper, and it goes even further. Is the CEO re-wired, ready to compete in this world? I have gone through some personal journey myself, because I grew up in an analog world believing in hierarchy, coming up through rank and file, having good bosses who helped me. But that has been my upbringing and my habit. Now how do I give up that habit and rebuild? Rebuild new muscles? I won't say that I have arrived, but I am putting tremendous focus personally to see how I can transform myself, so I can lead my company to be relevant in this digital era.

## What should CEOs do to capitalize on a world of digital disruption?

I think first is recognition. You have to recognize that you have to transform. It is not enough to direct the organization to transform and expect that you will be successful. So first is recognition. Second is you have to go and make yourself vulnerable. Only when you are vulnerable you learn more. You have to, because when we become a CEO, we carry the image of the company with us. We are very, very careful that we shouldn't be seen as a failure. CEOs should be vulnerable to sit with a youngster and have a conversation, allowing them to be a reverse mentor. They should sit with other industry players who have shown self-transformation. There are various places where one can learn from, but the story starts with self.

## Great having you on the CEO Show.

Thank you so much.



*Ganesh Ayyar and Robert Reiss – Interview aired: 10/23/2016*

*Ganesh Ayyar has personally led the transformation of Mphasis, leading it to the Billion Dollar Revenue Club. The “inch wide mile deep” mantra focused on hyper specialization and sustained execution has enabled the company to be recognized by Outlook Money as the “Best Value Creator.” Under his leadership, Mphasis has effected four strategic acquisitions - AIGSS (AIG's IT captive in India), Fortify (a company focused on Infrastructure services and platforms), Wyde Corporation (An IP lead software vendor serving the Global Insurance Industry), and most recently Digital Risk (Largest independent provider of Risk, Compliance and Transaction Management solutions for US residential mortgages), fully based out of the US.*

*Mphasis' belief that Digital Revolution presents a huge opportunity and requiring a different leadership approach is reflected in an e-book published by Knowledge@Wharton titled “Being Digital.” Mr. Ayyar's intense association with Digital and Leadership Transformation earned him the invite to join Global Advisory Board of Knowledge@Wharton. He is the first and only Technology Leader to have earned that distinction. Mphasis was recognized by Economic Times for being the Best Digital Company in 2015.*

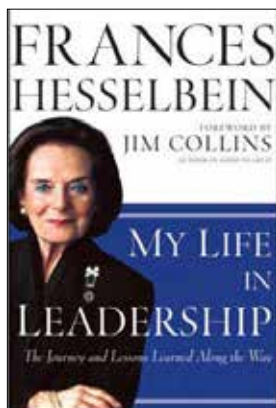
*Mr. Ayyar is acknowledged for creating an employee friendly environment. He promotes an open door culture that places great focus on employees and transparent communications. Mr. Ayyar was named CEO of the Year by CEO Connections in September 2016. Mr. Ayyar was awarded the Viewer's Choice Award at the 10th CNBC Asia Business Leader Awards 2011.*



Knowledge@Wharton in partnership  
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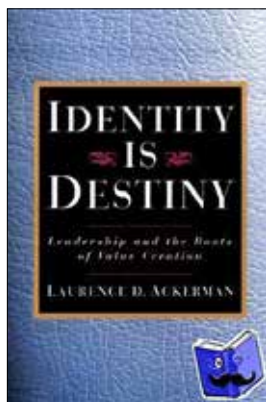
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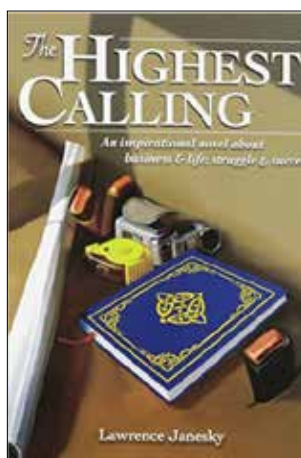
## **My Life in Leadership by Frances Hesselbein**

Frances Hesselbein has written a rare book. An intimate memoir that moves the reader with the stories of Hesselbein's life experiences, *My Life in Leadership: The Journey and Lessons Learned Along the Way* also conveys the core principles and beliefs that have made her one of America's most respected leaders. Hesselbein is known as the Girl Scout troop leader and local council director who took the helm of the floundering Girl Scouts of America and created a thriving and relevant organization. Hesselbein is a life-long follower of Peter Drucker. On her first day as executive director of the Talus Rock Girl Scout council, she arrived with six copies of Drucker's *The Effective Executive* under her arm. After leaving the Girl Scouts, Hesselbein became CEO of Drucker's new Foundation for Non-Profit Management, now known as the Leader to Leader Institute. Hesselbein travels all over the world speaking on leadership, and in 1998 received the Presidential Medal of Freedom, the highest civilian award in the United States.



## **Identity is Destiny by Laurence D. Ackerman**

Brand names, logos, and slogans are the identifying marks of corporations, but in the turbulent environment of the business world, these markers have little effect on the success of a company. Instead, it is an organization's underlying identity that contains the key to creating value, which, in turn, drives the success of the corporation. This enterprising book reveals how organizations can adapt successfully to the fast-paced marketplace when decisions are based on the bedrock of identity. The author's "laws of identity" will help managers be authentic leaders, recruit employees who will flourish in the corporate environment, and develop a product mix that both meets customer needs and highlights the talents of the organization.



## **The Highest Calling by Larry Janesky**

An inspirational novel about business and life; struggle and success.

There are millions of people who own small businesses - and millions struggle. *The Highest Calling* is the inspirational story of one of them - Troy Becker. Troy has struggled for 12 years with his remodeling business. Not making much money, working 70 hours a week, his family life suffering - Troy is frustrated and confused. One day, an old man named Cy mysteriously appears in Troy's life - and keeps appearing. Cy, who is on a desperate journey of his own, comes to understand he has been put there to help Troy - but why? And how will he convince Troy to listen?

*The Highest Calling* is the story of helping others and of learning how to do the right things to succeed. Cy weaves the most important and powerful business principles of all time into the lessons he delivers to his student; for Troy's sake - and his own. His teachings are beneficial to businesspeople and managers alike. You will laugh, you will cry, and you will learn. *The Highest Calling* is more than an inspirational book. For those that seek, it is a powerful entrepreneurial education; one that will improve the lives of millions for a lifetime.



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"O Great One! is by far the best book on the power of recognition that I have ever read."

—KEN BLANCHARD, coauthor of *The New One Minute Manager®*  
and *Collaboration Begins with You*

# O GREAT ONE!

A LITTLE STORY ABOUT THE  
AWESOME POWER OF RECOGNITION

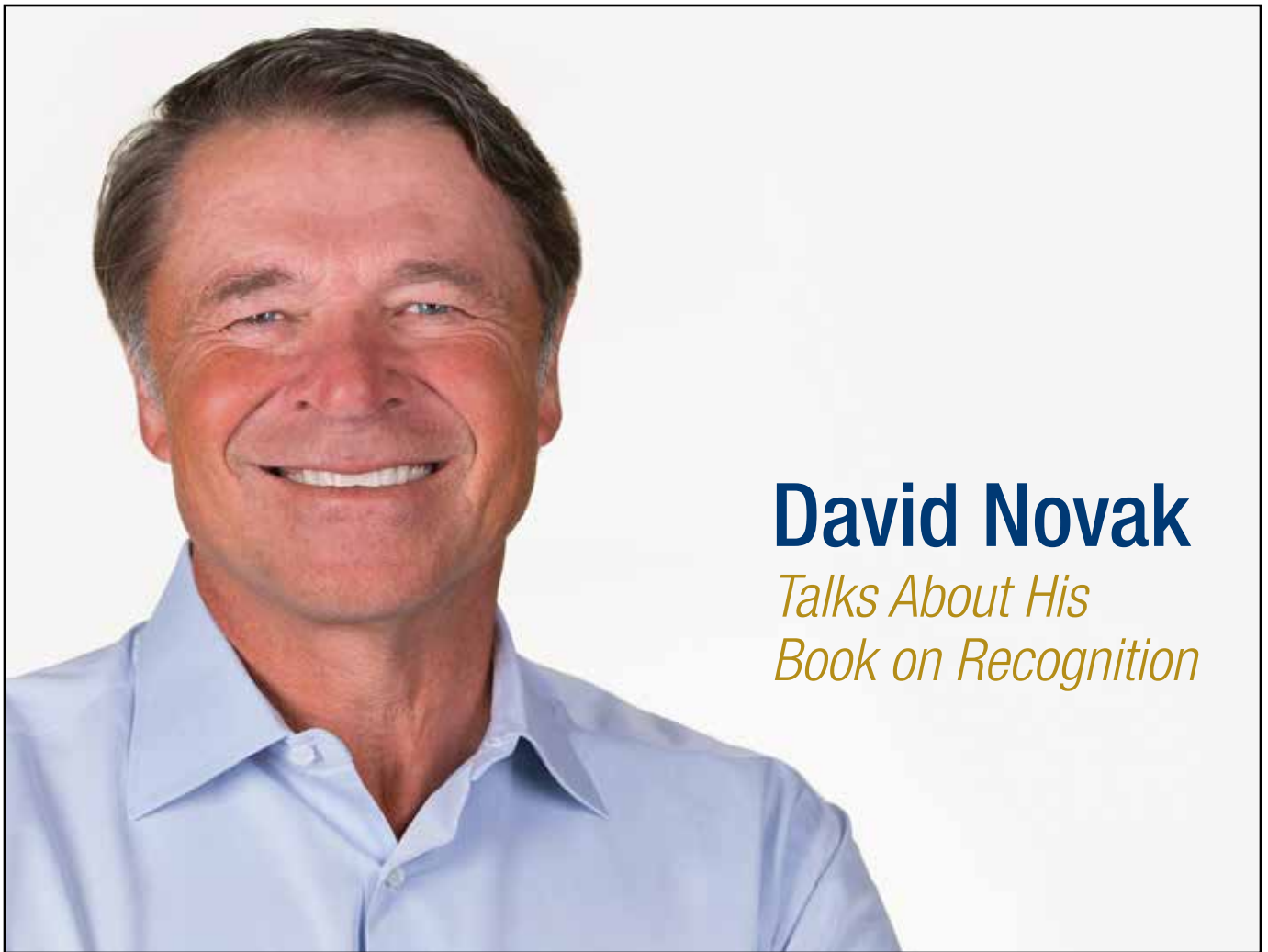


## DAVID NOVAK

Bestselling author of *TAKING PEOPLE WITH YOU* and founder of YUM! BRANDS

with **CHRISTA BOURG**





## David Novak

*Talks About His  
Book on Recognition*

### **Why are you so passionate about recognition?**

The seminal moment in my career was when I was the Chief Operating Officer for Pepsi Cola Company. I was in St. Louis meeting with route salesmen and asking questions about merchandising. Everyone started heaping praise on their colleague named Bob about how he set the standard. I looked down at the end of the table and Bob was crying. I was in disbelief because all he was receiving was glowing praise. I asked, “Bob, why are you crying?” and he replied, “I’ve been in this company 47 years and will be retiring in two weeks and didn’t know everyone felt this way about me.” His statement hit me in the gut. I thought it was such a shame. Here’s a leader that’s so good at what he does but feels no appreciation. I made a vow right then and there: from that day forward I would make sure that recognition would be the number one behavior that I would drive in any organization I had the privilege to lead.

Shortly thereafter, I became President of KFC where I started giving floppy chickens to employees and took

pictures with them and hung them in my office. At Pizza Hut, I did the same with cheese heads, and when I was President of Yum! I started giving out chattering teeth for people who “walk the talk.” My walls and even the ceiling in my office are filled with pictures of people I’ve recognized around the world. As I’ve traveled the world, I’ve found people everywhere crave earned recognition and there’s nothing more rewarding than celebrating the achievements of others. I call it the “privilege of leadership.” Our world famous recognition culture helped us retain and attract the best people in our industry and drive the results our shareholders expected. As a result, many companies now visit Yum! Brands to learn how to use recognition as a way to reduce turnover, retain the best talent and positively impact performance.

I’ve now started OGO (O Great One!), a brand dedicated to helping people practice recognition in their lives – be that for work or personal life. Promoting acts of recognition that are genuine and meaningful is central to OGO’s mission. It may seem intuitive, but our



recent study found seven in ten Americans wish they were recognized more overall and 83% say they could do more to recognize others. OGO challenges people to recognize the “O Great Ones” in their life – whether at work, home, school or in the boardroom. My hope is to create a global movement that motivates people to use recognition habitually and inspire others to do great things.

#### **What should be the CEO’s role in driving recognition?**

I believe the CEO should lead the way in recognizing performance. Recognition tells others that you care about the people who are getting it done and you’re watching. No one will care about you unless you care about them so having fun while recognizing others is a great way to drive a highly energetic and performance-driven culture. Creating the right work environment needs to be a top priority for every CEO, and recognition should be practiced spontaneously and thoughtfully as a catalyst for results. Believe me, everyone loves to be recognized for who they are and what

they do well, and it helps you build a highly-motivated workforce. During my tenure as CEO, Yum! Brands doubled in size and established itself as a global powerhouse. Our focus on recognition at all levels of the organization was key to this success and growth and I would venture to say that most people would say it’s what they enjoy most about our company.

Believe it or not, nearly nine out of ten middle management employees feel unrecognized by their supervisors, while 88% also feel unrecognized by their coworkers. If you put people first by focusing on their capabilities and recognizing what they do, you satisfy more customers, build more business, make more money and drive results. When you recognize others, you should make it as heartfelt as possible and a direct connection to the core goals and values that are central to your organization’s success. For example, I always used recognition to drive home the importance of walking the talk of customer focus (hence, my “walk the talk” chattering teeth award). It’s also why we created the OGO J.A.R. as an easy way to practice this through genuine hand-

written notes encapsulated in a one-of-a-kind “Jackpot of Acknowledgement & Recognition.”

One more thing: Leaders should not only recognize the good, earned behavior, but also recognize counterproductive behavior and address it when he or she sees it by simply making it crystal clear what is not acceptable. This gives well-earned recognition genuine credibility and reinforces the standards you expect.

### **Why don't CEOs take advantage of this obvious opportunity?**

There are two major reasons. First, leaders are falsely concerned that if they recognize someone they will stop working hard. In fact, our research shows 60% of people are as motivated by recognition as money, with 40% saying recognition motivates them to put more energy into their work. Second, leaders are afraid that if they recognize one person it will upset others. I've found this to be bogus. Recognition is contagious and when people see others recognized, it motivates them to do what it takes to get recognition – not begrudge others for getting recognized. The fact is recognition is every leader's secret weapon to drive performance and reinforce the behaviors you want in your company. What's more, keeping talent is key, and research says the primary reason people leave an organization starts with a lack of appreciation.

### **Where did the idea of O Great One come from?**

OGO is the name my grandchildren have called me since they could talk. When my daughter Ashley blessed us with her first child, I knew I didn't want to be called Grandpa or Poppy. I wanted something a bit more distinctive. My late father-in-law called himself “Great Jack” and I thought about “Great David,” but it didn't have the same magical ring to it. So out of the blue, I came up “OGO” which stands for “O Great One”. When I told people my name and why, it always brings a smile.

Because I'm so passionate about recognition, I decided to create a brand called OGO that is focused on recognizing the amazing people in your life. OGO the

company was founded on the lessons I've learned as a CEO, husband, father, grandfather and friend – that recognition is too often overlooked as a key success factor in business and beyond.

### **What should every CEO start doing tomorrow?**

Institutionalize recognition as a core value in your company. Develop your personal award if you don't already have one and by all means make it fun and special. You will see time and again recognition has the power to make people feel good and encourage them to do great things. That's why I firmly believe it should have a place in everyone's daily routine, from work to home and in social settings. I encourage every CEO to proactively acknowledge the many individuals making a difference in your company every day.

As the CEO, once you make it a practice to recognize others in a fun, authentic way, others in your company will follow suit because CEOs clearly cast a large shadow. Once I did it at Yum!, all our leaders learned the power and developed their own means to recognize in ways that were personal and meaningful to them. This helped build a powerful performance culture and a fun work environment around the globe.

### **How can CEOs use the book to drive recognition throughout their organization?**

I strongly believe in creating a shared experience with your team and that every CEO should read my new book, O GREAT ONE! A LITTLE STORY ABOUT THE AWESOME POWER OF RECOGNITION and then share it with their teams. Many companies are cascading it up and down their organization as a training tool to drive home the importance of recognition. This book is a parable based on my experience and offers practical advice you and your leaders can immediately put to use. There's no profit motivation for me – I only want to make the world a better place, attack what I've called the “global recognition deficit” and help you make sure there are no Bob stories in your company.

*All proceeds for the book go to fight Type 1 diabetes, which my wife Wendy has lived with since she was seven years old.*



*“I knew we had a problem and getting excited about it wasn’t going to fix it.”*

**Robert Reiss:** After years on Wall Street, what was it like to find out you were going to become CEO?

**Tom Joyce:** It was really exciting. It was an ambition that was finally coming to fruition. That said, it was also fairly nerve-wracking. I had figured with the time I had spent in the industry, I had earned a “Ph.D. in Equities.” And Knight’s sole focus at the time was equities so I thought, this is something that I really want to try and I think I have the skill set for.

**So you began your day, and within two hours into your first morning as CEO, the stock plummets from over \$6 a share down to 14 cents a share!**

It was not exactly the honeymoon period I was hoping for. That was a Monday and the prior Friday, the press release had gone out that I was appointed the new CEO. The stock had been trading around \$6 a share and closed for the day at \$6.25. So I’m thinking, “Boy, they like me out there!” So I show up at work on Monday. It was a funny



*“He told me, ‘We inadvertently bought \$3.4 billion worth of stock while we inadvertently sold \$3.1 billion worth of stock. T.J., we have a \$6.5 billion dollar position that we have accumulated in the last half an hour and we’re in deep trouble.’”*

culture back then at Knight. I walked in the door a little before 7:00am and I literally had to turn the lights on -- there was nobody else in the office. So I sat down at my desk and I began a meeting around 8:00am -- with our top salesperson whom I had heard was threatening to leave. He was probably responsible for about 15% of our institutional client business so he was kind of a big deal, and I was meeting with him behind closed doors.

At 8:15 or so in the morning, the door starts banging off its hinges. I open it up and there’s our chief technology officer and our head of sales saying, “Have you seen the stock price?” And I answered, “Guys, it’s 8:15 in the morning. The market is not open yet.” They answered, “Oh yes, it’s trading, on the electronic venues. Look!” And there it was, flying across the tape at 14 cents. So I thought to myself, “Wow! In less than two hours, I’ve managed to see the company lose 95% of its market cap; probably not a good thing.”

**You must have done a double take saying this can’t be true.**

The first time I heard that the stock was trading at 14 cents, I said, “You mean it’s down 14 cents?” and they said, “No, no. It’s trading at 14 cents.”

**But why did the stock actually drop 95%?**

Incredibly bad luck. It turns out we had a workstation go haywire and we, Knight Capital Group, was shorting our own stock at 14 cents. So not only was it hard to fathom that the stock had lost 95% of its capital in less than two hours, it was also hard to fathom that we caused it. We had a technology glitch.

**So what did you do?**

It was clearly an error. We knew there was no corporate news to have pushed the stock anywhere, let alone down 95%. It was trading on NASDAQ at the time. So we

called up Rick Ketchum, the CEO of NASDAQ at the time. We explained to him that we had a trading error, and a pretty good-sized one. Our hope was to take the trades off the tape because they were bad trades. Rick was able to get back to us within 20 minutes and said, “Yes, we acknowledge it’s an error and we are going to take all those trades off the tape.” So all that 14 cent trading was erased, as if it never happened. We used the rules that were in place at the time that, when there is an error, you have recourse and NASDAQ did the right thing by taking these erroneous trades off the tape.

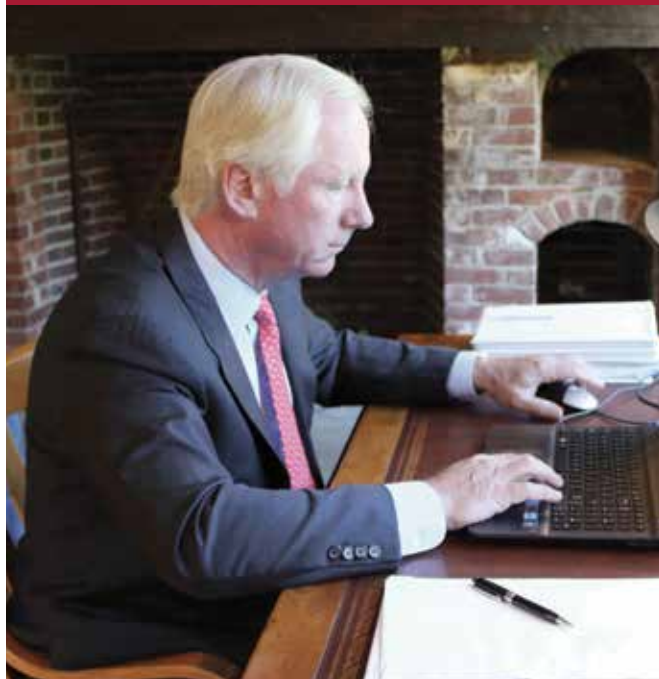
**There is a saying in leadership that character emerges under crisis. How were you able to respond so calmly and stay focused to get immediate results?**

I’m an easy-going, fairly level-headed guy though you may need to ask my wife for more details on that! But I think I’m relatively a straightforward individual and I knew we had a problem and getting excited about it wasn’t going to fix it. We had to figure out what the problem was, what the solutions were, and then deal with it. So we called NASDAQ. We also had the technology team shutdown the offending application in all workstations to make sure there would be no more errors.

And then I went on to the trading floor, got on the squawk box and addressed everybody by saying, “Good morning. My name is Tom Joyce. I haven’t had the chance to meet any of you yet but I’m sure you saw the stock trading at 14 cents. We know what the issue is. We talked to NASDAQ about it. We’re going to resolve it and we’re moving forward. At some point soon I hope to meet everybody and really get to know you a little bit better as we build this business.”

**But that wasn’t the only challenge you had. Let’s fast forward to 2012.**

That was actually August 1st of 2012. I know it quite



*“Well, you’re not going to lose the company sitting there. Let’s get your stuff together and get into the office.”*

well because on July 31st, I had my knee operated on. It wasn’t a big operation; it was arthroscopic surgery. But on August 1st of 2012, I was enjoying the beautiful morning sitting at home, fairly immobile, as you might imagine a day after a knee operation, with my cellphone beside me and ESPN on. The phone rang around 10:00 am, and the head of trading was on the other end and tells me that we have an error. I said, “Got it but we trade probably 3 million trades every day and we have errors occasionally.” He went on to say, “No, this is a big one.” He told me, “We inadvertently bought \$3.4 billion worth of stock while we inadvertently sold \$3.1 billion worth of stock. T.J., we have a \$6.5 billion dollar position that we have accumulated in the last half an hour and we’re in deep trouble.”

I started thinking to myself that it would have been nice if I had heard about this when the problem started. It’s also incredible to hear that, in half an hour, we had managed to put on this enormous position. So I asked him, “Is it done? Have we stopped the trading?” He said, “Yes, we’ve shut the server down and the trading is over but we’re already down a couple hundred million dollars

because all the sharks on Wall Street have reengineered our trading and figured out our positions. And they’re starting to shoot against us.”

### So what did you do?

I wasn’t very mobile so I was thinking, should I stay at home and just deal with it over the phone or is there some way I could get in the office? My right knee was the one that was operated on so I wasn’t able to drive. About 10 minutes later my wife comes home, took a look at me and asked, “What happened?” I looked at her and said, “Well, we may have just lost the company.” She then said words I will never forget. Lisa said, “Well, you’re not going to lose the company sitting there. Let’s get your stuff together and get into the office.”

On the way in to the office, we called the SEC. We called FINRA. We called other regulatory agencies to let them know we had an issue, a huge issue. Our equity capital at the time was plus or minus \$450 million. And by the time we got out of the trade later that afternoon, we had pretty much blown through all of our equity capital and we were then in dire need of a refinancing. More than anything, we had to make it to the weekend so that we could actually do the refinancing. The best news was, we sourced new funding that weekend. Remarkable really. In less than a week after the error, we raised \$400MM. We were back in business. And that happened because of the firm’s reputation. People wanted us to succeed. It just shows you that relationships are what truly matter. Money is just a commodity. Relationships, though, are priceless.

More good news was as soon as we knew that there was a problem on Wednesday, we turned off all of our clients which to this day has been something they recall and give us a lot of credit for. No client got hurt. The only organization that got hurt was the organization that caused the error, and that was Knight Capital Group.

**We’ve spoken about overcoming two major challenges. Now let’s shift to the turnaround strategy. When you came into the company, it was a \$500 million company that was not making money at all. By the time you left, it was \$1.3 billion, making over a quarter of a billion dollars a year.**

**What was your strategy?**

Knight had had a very fast start well before I got there. And then they ran into a buzz saw in the aftermath of the internet bubble collapsing. On top of that, some of the trading rules changed, with the biggest change in the rules being decimalization. We were no longer trading equities in the United States in 1/8 point increments, which is 12½ cents. We were now trading equities in penny increments. So the whole dynamic of the profitability changed. Knight had a lot of market share but couldn't make money. They were not able to harvest the returns that they had in the past because they were on the backend of a trading boom with a big rule change but the management team didn't respond to it.

So the Board decided to make a change in management and I was lucky enough to get the call, although the first day at the job I wasn't considering myself all that lucky, I must admit. But I looked at the opportunities and said we have to go from a manual trading organization to a technology-driven organization, which, of course, upset the culture of the organization. We didn't get a vote, we had to do it because of the dynamics of the industry, because of the competitive nature of the industry. Trading in pennies with billions of shares traded everyday, millions of trades done everyday. Human beings couldn't process the information properly and efficiently. We had to change.

So we left the old environment. I guess the story that kind of tells of the tale well is, we went from 260 market makers, those people sitting in chairs, hitting keyboards, making prices, to ultimately, three years later, 40 market makers. And we went from five quants, five Ph.D.'s with computer science degrees and advanced physics degrees in 2002, to over a hundred a few years later. So we had to transform the strategy and the workforce at the same time.

**Let's talk about the whole culture. You said on your first day when you came in 7:00am, no one was there and the lights were off. Talk about what you had to do to change the culture.**

When we talk about day one, day two was probably more

nerve-wracking because the Wall Street Journal led off with a story, above the fold on the C-section, that said, "Knight Trading Group Accused of Front Running Client Orders" and that came from their sources at the SEC. This was kind of a punch in the gut because I had not been aware that the SEC was investigating. The Board didn't disclose it during the interview process if, in fact, they even knew about it. So all of a sudden, at the beginning of day two, every institutional client walked out.

**Seriously?**

Yes. Two crazy mornings in a row. But we knew that because of the situation, we had to just go for it, to get out and meet our clients and start to talk to our clients about what was important and how the company was going to go forward. The culture that was perceived at the time was one that was, in a sense, a bunch of folks worrying only about their W-2 forms.

And we had to be very aggressive both verbally and in all the information we passed out. We started talking the talk and we had to walk the walk about changing from an individually-focused organization to one that was focused on clients. And we had to do it everyday and it had to start with me. The organization had to see that

*"I looked at the opportunities and said we have to go from a manual trading organization to a technology-driven organization, which, of course, upset the culture of the organization."*

I was out visiting clients; that we were making strategic moves to better our clients' experience with us and trying to make our clients look smarter which, by the fact of reflected glory, of course, would make us look smarter, and better.

**What were some of the biggest challenges that you had in turning the whole culture around?**

Well, if you have an organization that's worried about their W-2 form, then guess what, the first thing we did was change compensation methods. We went from largely a commission-based organization to a salary and bonus style. Commission based comp works for a lot of companies but in this particular case it was hurting



Tom and Lisa Joyce

*“We had to walk the walk about changing from an individually-focused organization to one that was focused on clients. And we had to do it everyday and it had to start with me. The organization had to see that I was out visiting clients.”*

the organization because people were focused on themselves. Teamwork didn’t exist, so I felt paying people by what the group produces as opposed to the individual, was where we had to start. And we articulated the fact that if you did your job and you hit your numbers, great. But you also had to raise the level of the people you were working with in order to truly get paid well. And there was a lot of skepticism.

In fact, we did an internal survey around 2003, right after we changed compensation styles, and I still remember to this day one respondent wrote, “He killed the dream.” Two years later – actually, three years later, the stock had pretty much tripled. Everybody made what they had made before, if not more, because we were starting to experience success. People were getting out of bed in the morning with their feet hitting the ground feeling, “I want to go to work today.” People like working for winners and suddenly we had a winning attitude and a winning approach and the employees liked it.

**I understand another part was for governance, how you worked with the board.**

Agreed. The culture problem wasn’t just the troops. There were some issues, I believed, at the Board. The Board was obviously there when some of these alleged trading misbehaviors were taking place so there was some change needed. There wasn’t any one thing in particular one could point to. But it stood out that ISS, a firm that specializes in corporate governance, then ranked the firm in the 14 percent slot. That meant 86% of publicly traded companies in the United States had a better governance score than us. Kind of embarrassing.

We worked on it. Three years later, we ended up with a score of about 75 which I was very comfortable with. We didn’t do anything draconian, just simple things like make every Director stand for re-election every year. We put in a Director retirement age. We worked on diversity and elected our first female board member. We got the committee assignments right. We maybe could have done even a more aggressive job but at least we made steps in the right direction. And it helped.

**So what did you learn from your tenure at Knight?**

Quite a bit obviously but a few things stand out. One

*“If you have an organization that’s worried about their W-2 form, then guess what, the first thing we did was change compensation.”*





*Tom Joyce and Robert Reiss – Interview aired: 10/09/2016*

is, things will go awry when working with technology. It is critically important to follow best practices. Wavering even a bit from them can cause big issues, like our trading error. And when problems occur, they must be escalated to senior people immediately. When we had our trading error I was called after it ended, not while it was happening when I could have helped. Also, when a firm is experiencing some type of crisis, the CEO must be visible and transparent. Stakeholders need to know you understand the issues and are dealing with them. And last, relationships are our most valuable currency. Relationships saved Knight. Money mattered but that wouldn't have showed up without relationships.

## **Final topic – I know you're very involved in the community.**

I'm very proud to be involved in the wonderful town of Darien. My wife is a former president of the Darien Community Association and still quite active. I'm honored to be one of the three police commissioners in town. Our police force is one of the finest police departments in the state. It has long been considered that way so I was lucky to get involved with a winner.

## **Well, Tom, great having you on the CEO Show.**

Thanks, Robert. It's been a pleasure.

*Tom Joyce is a recognized leader in the financial services industry. He has over thirty years of experience, both domestic and internationally. He is currently Executive Chairman of Arxis Capital. Prior to Arxis, Tom was Chairman and CEO of Knight Capital Group. He joined Knight in 2002 and retired in July 2013. From January through May of 2002, Mr. Joyce was Global Head of Trading for S.C. Bernstein & Co. Tom is widely credited with rebuilding Knight into an industry leader. He built up Knight's financial technology expertise, guiding the firm from its manual trading roots to becoming one of the industry's technology leaders. Under Tom's leadership Knight became one of the top equity trading firms in the United States, handling over two billion shares daily on a regular basis. When he arrived, Knight had revenues of less than \$500MM and was losing money. After Tom led a major restructuring, Knight went on to generate close to \$1.3B in revenues and enjoy pre-tax profits of about \$250MM.*

*Prior to his appointment as Sanford Bernstein's Global Head of Trading at the close of 2001, Tom spent close to fifteen years at Merrill Lynch where he managed several major equity businesses.*

*Tom is a former member of the SIFMA Board of Directors as well as a former member of the Nasdaq Board of Directors. He was a member of the Archipelago Board of Directors and served as Chairman of Nasdaq's Quality of Markets Committee. He was also a member of NYSE's Market Performance Committee and of the Merrill Lynch Europe Executive Committee. Currently he is on the Board of Directors of Sandboxx, LLC; Clearpool, Inc; Special Olympics Connecticut; and the Alfred Smith Foundation. He is also a member of SAG-AFTRA. In 1977, Tom received his degree in economics from Harvard College, where he was also elected to the Harvard Varsity Club's Athletic Hall of Fame.*

*Tom and his wife, Lisa, have lived in Darien since 1986 where they raised their three children. He is currently one of the three Darien Police Commissioners. Lisa is a former president of the Darien Community Association and has been recognized as one of the most active volunteers within the Darien community.*

# These Blurred Lines



*By Nancy May, President and CEO of BoardBench Companies*

Whether it's a partnership, joint venture, or any business enterprise, one thing seems clear: people work better together when they have clear, defined responsibilities and roles. This seems especially true in corporations: executives in finance, administration, legal, operations, IT, etc., don't generally cross roles. In fact, per accounting and auditing standards, segregation of duties is a key management control and bulwark against fraud and inefficiencies. So the more I think about it, the more puzzled I become about why there is so much acceptance, and so little debate, over some of the "blurred lines" typical of American boards and governance today. These three "generally accepted" practices bother me most.

The first practice is boards combining CEO/Chairman duties. Let's see: The Chairman is supposed to lead and oversee various board functions including acting as a nexus between the CEO and board members, while also mentoring and advising the CEO. On the other side, the CEO leads and manages the business. Seems fairly clear cut, dry, and logical. So much so that numerous overseas stock exchanges and countries have mandated these duties be vested in separate people. However, here in the U.S. many companies combine the jobs. Combining (that is, blurring) roles is not only acceptable for many, it is vigorously rationalized. The biggest argument in favor of combination is that there is no compelling evidence of an economic benefit from separating the roles. Of course, this same argument could bolster the idea that, if it's all the same, why NOT separate them? Always thought this was a rather weak argument. Then again, if you're a sitting CEO/Chairman, you may likely back any justification to keep this rather convenient arrangement. At this point, I'm glad to see that the de-

bate among investors and regulators on this practice is far from over.

The second is the board member/CEO role. Directors provide oversight and guidance to Management, while Management run the business in accordance with board-driven policies for the best interests of stakeholders. Directors shouldn't manage companies (we hear this all the time), and it seems to be overwhelmingly accepted. However, it's different if you're the CEO – where, in the corporate world, you are not just the top manager, you also sit on the board, and participate essentially as an equal. These "blurred" roles raise questions both as to how effectively board members can supervise a CEO and how well they can evaluate a "peer." There is also concern over too much CEO influence on board decisions and other conflicts of interest. Of course, others argue that a non-board member CEO has less authority, standing, and credibility with the board, organization, and outsiders, and that the position becomes less attractive to higher caliber candidates. In some ways these last arguments actually support keeping a CEO off the board. I'm willing to bet that most CEOs, if mandated to choose, would prefer being CEO over being a board member (unless close to retirement). While this is the overwhelmingly prevalent practice in the corporate world, it is not the norm with other organizations, such as non-profits and trusts.

The third conundrum is equity pay and independence. For public company boards, the SEC and listing agencies mandate that a number of directors on the board be "independent." However, they define independence differently from trending definitions. Look up "independ-



dent directors” on Wikipedia which states: independent directors do not own stock in the company. Interesting? Once again, common practice is to compensate directors with stock, often through grants, or by encouraging set ownership goals. This is seen by many as important to “align directors with shareholders’ interests.” Of course, what is not said is that shareholders have varied, often divergent, interests. In addition, I’m convinced that shareholders generally are far more interested in how their investments in a company advance their personal short or long term wealth, than in the welfare of the company. Isn’t the responsibility of the director to

is just a saying, but nonetheless, sort of trivializes one’s responsibilities, don’t you think?

I’m sure many will dismiss all this as naïve or out-of-touch with today’s business world and the state of governance as it now exists. After all, things aren’t black and white, but shades of grey; no one rule should fit all; all companies and boards are different; there’s no evidence performance is impacted on; yada, yada, yada.

Just because things are being done the way they are, doesn’t mean they can’t be done better. Maybe changes should be instituted, or maybe these are all merely distractions not worth the effort and “risk” to try. That’s where vigorous debate and bold experimentation come in to play.

Unfortunately governance wonks and pundits may occasionally bring forward the CEO/Chair combination as an issue, especially if it plays into some juicy corporate abuse or fraud story. But, the ideas about CEOs as board members, and moving away from equity pay do not get much, if any, coverage or support. In fact, these practices are so pervasive in the corporate world that vigorous debate does not appear to be anywhere on the horizon.

That’s a shame. Blurriness seems

to be OK for many otherwise highly intelligent and analytically astute business professionals. As for me, blurred lines give me headaches. Where are my glasses?



ensure the long-term health of the company, first and above one’s personal interests? Many shareholders would be perfectly happy to see a company taken apart, if it nets them more than holding onto the stock for a few years. Is that what we want directors to align to? As for forcing a long-term interest, that may be valid, but when a director can vest “restricted” stock, how tempting does it become to approve processes that can quickly manipulate share prices? (Say, a stock buyback?). Again, a blurring of roles appears to occur when you make a director into a shareholder – sometimes becoming one with substantial investment, and personal self-interest, in the company. I’ve also heard it justified that equity ownership gives directors “skin in the game.” Granted, this

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*“I had a vision before we started that we could do something that no one has done before.”*

**Robert Reiss:** As founding CEO of GuardHill Financial, you focus on one thing -- mortgages. Yet it's a very crowded field with over 2,300 official member companies. What do you do to differentiate yourself?

**Alan Rosenbaum:** We've been solely doing mortgages for over 24 years now, and what we do differently is to completely focus on the customer. Now, people talk about giving great customer service all the time, but we actually do what we say we do. We get to know our customers deeply, and we advise them rather than sell them. We give them a great variety of service, pricing and advice that will help them through the mortgage process.

**Are there any unique practices you have with your customers?**

Well for one thing, after a closing, we like to send the customers a business book that I've read. Over the years, there have been all sorts of books that have meant a lot to me – biographies about John Wooden, books by Elon Musk. So I'll send them a book with a couple of nice words of wisdom from



## Alan Rosenbaum Founding Principal, CEO GuardHill Financial



*“One of the things that I have found to be very popular has been to throw mini cocktail parties for our non-customer business relationships.”*

myself in there and hopefully that goes a long way in showing how much we care about them.

### **How do you determine what book to give them?**

Well, it's based on their personality. We get to know the client throughout the process. We know what makes them tick, what they enjoy. I try to match a book that fits their personality.

### **And how do you build the non-customer relationships?**

We drive significant business through relationships and shared connections with professional service executives. Since building relationships is our key differentiator, we like to really know people and get genuinely intimate with them. One of the things that I have found to be very popular has been to throw mini cocktail parties for our non-customer business relationships.

We like to have cocktail parties at a restaurant or cocktail lounge near their office, inviting anywhere from five to ten people, so we really get to know them as people. Sometimes when you have larger cocktail parties, you say hello and you move from one person to the next. When you host a party on the smaller side for approximately one hour, you can really develop a nice rapport, have a nice conversation and develop a long lasting relationship.

### **So these are basically 60 minutes -- it's say 5 p.m. to 6 p.m. or something similar to that?**

Right. We figured if we can do it for a short period of

time with a small amount of people, who could ever turn us down? So it's always really fun and for 60 minutes, it's a nice way to get to know each other.

### **It's a fascinating idea, and this is the first time I'm hearing about it. How many people usually attend?**

You can have as many people as you like. As the CEO of the company, I like to join one, sometimes a couple, of my employees, depending on the size of the group and what we're trying to accomplish. Then we try to invite five to ten people, whether it be financial advisors, accountants, or real estate brokers. Sometimes we do a mix of all of them so that we can introduce the real estate broker to an attorney, to a financial advisor, or to an accountant. It's a mini-networking event where we can get to know people better ourselves but also introduce them to people that might benefit them down the road. We like to make recommendations and we like to make the introductions so that we can give additional value to the relationship.

### **Any unique practices on effective ways to build culture?**

The culture, as well as the leadership of a company, start at the top. We do like a fun atmosphere here. However, good leaders don't just do what's popular; they do what's necessary, which in the long run turns out to be best for all. We're very efficient. We get to know the people in the company. We don't look at people as employees. We look at people as our friends, people we like to spend time with. You spend more time with your employees than you actually do with your own family members.

## Alan Rosenbaum Founding Principal, CEO GuardHill Financial



*GuardHill COO Gloria Sacchi with Alan, at the grand opening party to celebrate GuardHill's new East Hampton and Southampton offices in the summer of 2015.*

*“You need to be happy with yourself to be successful.”*

show people that to be successful, you need to be happy, and to be happy, you need to be successful.

More importantly, you need to be happy with yourself to be successful. There are a lot of outside pressures that are put on people today. If you go back and look at some of the quotes from Gandhi, and the things that Martin Luther King and Nelson Mandela have overcome, these are some of the most successful people in the world. We've all struggled, and it's always nice to have little words of wisdom that illustrate what people have been overcoming, or that people have enjoyed, or lived by over many hundreds or thousands of years, that we can apply to our daily life.

**And these quotes come from you, something you've read?**

Yes. They come from a lot of books that I read. There are books out there that have special quotations that I sometimes pull from. At times, what I do is I'll pull a famous saying, maybe something from Benjamin Franklin who said that early to bed, early to rise, makes a man healthy, wealthy and wise, or FDR, who said there is nothing to fear but fear itself. And then I might put my own fresh spin on it. The employees really appreciate that I'm taking the time out of my day to single them out, understand what they're going through, and think of exactly which quote is appropriate for them at that moment.

**Let's shift to why you started the business back in 1992.**

I had a vision before we started that we could do something that no one has done before. Back in the day, there were two types of mortgage companies. There was the typical mortgage company that was basically marketing to their clientele based on how low their rates were. And then there was the private banking operation that catered to affluent, sophisticated clients that were accustomed to giving a very high level of service. We thought that we could fuse those two different philosophies to-

We work hard, we enjoy each other's company and we like to educate them at the same time. So it's a nice culture where everybody wins from being part of a great team. We will work with people one-on-one depending on what their skill set is, where they need to improve in certain areas. One thing that we like to do is we like to do quotes of the day.

### **Quotes of the day?**

Yes. I love reading books about leaders, biographies on people such as presidents and historical figures, and all types of industries and their leaders. I've learned so much from these people, great words of wisdom, what their work ethic has been like, et cetera. What we try to do in the morning is to send out quotes of the day that will sometimes come from Socrates, Buddha, Confucius or even from John Wooden, that will give the employees some words of wisdom that they can live by. And certain quotes we will personalize for different employees. So there will be quotes based on things that happen throughout the day, things that happened yesterday, or a quote based on someone's personality. Sometimes if I see someone struggling or getting a little down, I'll send them a personalized quote from a successful person who I've admired over the years, and show them that we all fall into a rut sometimes. We all have these issues, and if we can focus, we can overcome obstacles. I've tried to

## Alan Rosenbaum Founding Principal, CEO GuardHill Financial



At a recent charity event for the Ali Forney Center, (L to R) Alan Rosenbaum, CEO and Founder; Elyse Sullivan, Executive Vice President of National Operations; and Amber Daz, Vice President.

gether. People would tell me, “Alan, you can never do that. You can’t give the highest level of service with the lowest mortgage rates out there.” And I said, “You know what, I think that we can do it.” So that’s really the way we started to build this company, and we continue to out-hustle other people. We work harder. We work smarter. Since we are specialists, we just do mortgages, we have been able to build deep relationships within the lending community, within the financial advisory community, and with our deep client base. People appreciate having the lowest rates combined with the best advice and the best service. Think about if someone wants to fly round-trip to Los Angeles and they want to fly first class. You expect to pay more than someone who’s going to fly coach through Dallas to get to Los Angeles. At GuardHill, we thought, “You know what -- we can fly you first class to LA quicker than anybody else and we can do it cheaper than doing it the old fashioned way.” We were able to accomplish this through a lot of hard work, a lot of practice, a lot of beta testing, so to speak, and we’re still accomplishing it today. It’s a more difficult climate today, yet our philosophy stays the same:

*“Most people think that rate is the only variable to focus on when looking for a mortgage, but more often the most important element, especially for an expensive home, is actually mortgage structure and service.”*

high level of service, great rates, and being an advisor rather than a salesperson.

**Now that the mortgage business has become more complex and more regulated, how has this different model worked?**

We’re fortunate to have had great success through the years, and it’s really about staying true to our original concept of differentiation. Again, mortgages are still all about hustle, it’s still about learning your craft better than anyone else. I think the fact that we specialize in mortgages means we understand

the industry better than ever. And if you have to work on small margins to build your market share, then that’s what you have to do.

**What do CEOs really need to know about mortgages that they may not be aware of?**

Most people think that rate is the only variable to focus on when looking for a mortgage, but more often the most important element, especially for an expensive home,





is actually mortgage structure and service. Everybody thinks that mortgages are widgets, and it's all about rate, and all you have to do is you go to the store, as though you're buying a Samsung and seeing who's at \$599 and who's at \$595 and who's at six-and-a-quarter. Mortgages are basically a 60-day service. You need to get to know the people that you're working with very carefully. You need to know how to structure that deal. If you follow the lowest rate, you will usually have to experience a

interest? Are they advising you properly?

Here at GuardHill, we work with 50 different lenders, so we are able to advise our clients on the product that best fits their situation. You would be surprised how many millionaires and billionaires we work with that have a preconceived notion of what they're looking to do. Once we take the time to get to know them and give them many different options, they're very appreciative of

*“Some of these regulations to protect the consumer have actually hurt the consumer.”*

slower and more frustrating process. A client may come and ask you what's the best 30-year fixed rate? Well, bank A says this and bank B says that. I would say, “Well I can do what bank A and bank B can do and maybe a little bit better, but you know what, you might be better off with a five- or a ten-year mortgage where we could save you anywhere from 50 to a hundred basis points.” So they say, “Wow! I never thought about that, Alan.” Or maybe we offer an interest-only loan, so there are a lot of possibilities. Rate is not what it's all about in the mortgage business. We are great with the rate, but what CEOs and what others need to really focus on is who you're working with. Are they looking out for your best

what we share and, very often, they take our advice, and they're quite happy. Ultimately, the difference between our company and other companies is that we really want to take the time to get to know our client and then come up with unexpected, right-on-target solutions.

#### **Talk about the mortgage regulatory environment.**

The first thing that we think about is continuing to adhere to whatever the compliance rules are today. As difficult and as expensive as they may be, you have to follow the rules. That's why we've been here for as long as we



# Alan Rosenbaum Founding Principal, CEO GuardHill Financial



*Alan is a native of Louisiana, where he often returns, bringing top GuardHill producers to New Orleans, and also to visit his daughters attending Tulane University. Left to right: Keith Furer, Gino Paone, Jordan Roth, and Stephen Rybak of GuardHill; Samantha Rosenbaum, Alan Rosenbaum.*

have. I would love to be able to meet with some of the decision makers in Washington when new policies get formulated and discussed. I've been in the business for over 25 years now, and we know it's about much more than just residential mortgages. We can talk about it from the consumer's perspective, from the lender's perspective, and from the regulator's perspective, and try to come up with something that's a win-win-win for all. I think today, a lot of the guidelines that have been put into place have come from people who are not that savvy and familiar with the residential mortgage market, while all intentions have been great to try to protect the consumer. However, some of these regulations to protect the consumer have actually hurt the consumer. If we can all come together to do what's best for the consumer, and do what's best for the economy, we can put more people to work, we can get more people in homes, and we can protect the system. As we continue to expand the company, that will be a major focus going forward.

**Alan, a pleasure having you on the CEO Show.**

Thank you very much, Robert.



*Alan Rosenbaum and Robert Reiss – Interview aired: 10/16/2016*

*Alan Rosenbaum ranks among the foremost mortgage specialists in the country. He founded GuardHill Financial in 1992, and has developed the company into one of America's top mortgage banks. Alan supervises an annual operation of over one billion dollars in mortgages. Predominantly focused on the Tri-State Area, GuardHill serves clients nationwide.*

*With over 100 dedicated employees, Alan recently established an overseas presence by creating a prominent international mortgage division. Alan has been quoted in *The New York Times*, *Wall Street Journal*, and *The Real Deal*, and has been interviewed on *Fox Business* with Neil Cavuto, *CNBC*, and multiple radio and podcast outlets. Alan recently presented in Shanghai, China regarding Asia's participation in the American real estate industry alongside other notable leaders, including former New York City Mayor Rudolph Giuliani. A *New Yorker* since 1986, Alan is a native of Baton Rouge, Louisiana. He graduated Louisiana State University (LSU) with a Bachelor of Science degree in business administration.*

*Alan presently resides on Long Island, New York with his wife and three daughters, and their two Labradors.*



# The Work-Life Blend of the Modern Business Traveler



*By Elie Maalouf, Chief Executive Officer, The Americas, IHG*

For today's modern business traveler, which includes many of you, work-life balance is becoming more and more a thing of the past. On the road, work and personal life blend together with no clear distinction between the two. We're always working and always living. What was once work-life balance is now work-life blend.

At IHG, we are continuously studying the changing needs of the modern business traveler, who craves the ability to work and connect, a sense of organization and control, and the chance to restore and re-energize. Here's what to look for the next time you're traveling and striving to achieve work-life blend:

### Smart and Functional Design

There's a significant amount of innovation that we in the hotel industry can use to create design-led and culturally-relevant spaces and experiences that make business travel work. We want to empower, energize and inspire you.

- **The Ability to Plug In** – One of the first things people do when they enter a hotel room is plug in their mobile phone, just one of the three devices we typically carry. Guests have told us that they don't feel settled in until all of their personal devices are charging. They want a room with a lot of outlets in places that make sense. At Holiday Inn Express® hotels, outlets and USB ports are built into the bed headboard and desk, making them very easy for guests to access.
- **Multi-Purpose Workspaces** – The traditional workspace of a static desk and chair is no longer relevant.

The guestroom of the future has multi-purpose comfortable spaces to work, hold informal meetings or simply relax and socialize. We've incorporated this sophisticated style of design into the new WorkLife room at Crowne Plaza® hotels, which includes a nook area that doubles as both a relaxation and work space with soft seating, a movable table and flexible lighting.

- **Collaborative Meeting Spaces** – More hotels are providing space for collaboration beyond the standard meeting room, addressing how people meet and work today. There's an incredible opportunity to facilitate the "meetings around the meetings" with flexible, stimulating and technology-enabled public spaces designed for solo work or small meetings that encourage productivity and support the modern way of working.
- **A Good Night's Sleep** – Easily the most important part of the guestroom and one that hasn't been revolutionized in decades is the bed. When business travelers get a better night's sleep, they feel well rested and ready for a better tomorrow. The bedding at EVEN® Hotels includes natural eucalyptus fiber, which creates a cooling effect designed to promote deeper sleep.
- **"Bleisure"** – Business travel sometimes spills into the weekend. Every year, 20% of business travelers take a "bleisure" trip, adding personal days onto work travel. This requires the ultimate flexibility in design, with a guestroom that works for business on a Friday and can comfortably accommodate a family for the weekend. We're excited to incorporate this into the new design at Holiday Inn® hotels, which features an innovative seating area that easily converts into two twin beds.

## Technology as an Enabler

Mobile technology has revolutionized the way that travelers engage with hotels, and it starts before they even enter the lobby. Today's business traveler uses their mobile device to make the travel process seamless. From the palm of their hand, they can book their stay, choose their room and even make housekeeping and maintenance requests.

Internet access is a critical element of a hotel stay. How many times has a slow connection stopped you from downloading a presentation or FaceTiming your family back at home? Business travelers need fast Internet that works all of the time. We are in the process of upgrading the Wi-Fi connectivity at our hotels with our IHG Connect offering, which provides more bandwidth and a single sign on functionality. Guests will only need to log in once, and then they'll be recognized and automatically connected at every IHG hotel. It's a simple solution that goes a long way in making guests happy.

## Source of Wellness

As travelers are looking for a more satisfying work-life blend, they're seeking ways to maintain a balanced lifestyle on the road. There are 17 million wellness-minded travelers in the U.S. who find it hard to stay active and eat right while traveling, which led IHG to launch EVEN Hotels, the industry's first holistic wellness experience.

Wellness means different things to different people, which is why we offer a wide spectrum of amenities from performance and self-improvement to healthy fun and restoration. Guests at EVEN Hotels can exercise in the athletic studio or their In-Room Training Zone. The calm and natural environment throughout the hotels encourages relaxation and recharging. Organic, delicious and fresh foods are available morning to night. We've also designed the brand to help guests accomplish more, by speeding up check-in, offering flexible spaces for impromptu meetings or solo work and knowledgeable staff to cater to guests' individual needs.

Business travel doesn't have to be a burden. When you're on the road, look for a hotel that's been designed with your needs in mind, one that helps you, the modern business traveler, fully engage with all parts of your life.



*Elie Maalouf is CEO of The Americas at InterContinental Hotels Group (IHG). He is based at IHG's regional headquarters in Atlanta, Georgia. Elie leads the management, growth and profitability of the company's largest operating region. IHG has a broad portfolio of hotel brands including InterContinental® Hotels & Resorts, Kimpton® Hotels & Restaurants, HUALUXE® Hotels and Resorts, Crowne Plaza® Hotels & Resorts, Hotel Indigo®, EVEN® Hotels, Holiday Inn® Hotels & Resorts, Holiday Inn Express®, Staybridge Suites® and Candlewood Suites®. Elie is responsible for overseeing nearly 3,900 hotels and resorts, spanning the United States, Canada, Mexico, Central and South America and the Caribbean.*

*IHG has more guest rooms than any other hotel company in the world. Our relentless focus on delivering success today while redefining hospitality tomorrow is built on a foundation of consistency, trust, innovation and resolve.*





*“One thing we have going for us at KAYAK that is different from other companies is the speed at which we move — it is part of our DNA.”*

**Robert Reiss:** Travel is a competitive industry. Talk about how KAYAK is different.

**Steve Hafner:** KAYAK is very different from other travel companies in that it is a search engine. If a consumer comes to KAYAK to plan a trip, we will search hundreds of other travel sites and present the options to them in one integrated display. Once they have found the trip they want to go on, whether it's a flight to Miami or a hotel in Chicago, we'll give the traveler choices on where to buy that trip, so they can buy it from the supplier directly (e.g. American Airlines) or from an online travel agency (e.g. Priceline.com).

**Today KAYAK is the world's leading travel search engine, with about 1.5 billion searches per year. What was your path to building it?**

We started the company 12 years ago with a very simple idea that turned out to be very difficult to execute. If you want to show someone all the flight options out there, first you need to know which airlines serve each route,



*“For us, it’s about that perfect blend of aptitude and passion – a very smart person who wants to make an impact. We look for self-starters who don’t need to be told what to do but actually have a vision of what they want to do and the capability and the competency to make it happen. You can usually pick that up about someone in about 30 seconds.”*



and then you need to know how to query them, how to get the data back, and how to present it to a consumer in an easy-to-use interface. It took us a while to get the product right and from there, we had to make people aware that it existed. Today we search flights, hotels, vacation rentals and rental cars and operate 40 international sites in 20 languages – it has been a fun ride.

#### **Were there any mistakes you made early on?**

We have made a tremendous amount of mistakes. The first mistake we made, going back to the very early days at KAYAK, was when we put our tech center in Bangalore, India. That was a very hot thing to do back in 2004 because engineering talent was inexpensive there. What we found was the quality of what we got back wasn’t great and we would hire a team member and then two weeks later we would lose them to another tech company offering more money. That was a very early-on mistake but a significant one. Today our tech team is spread across four different offices across the globe and we’ve found ways to build and structure the team so that we can operate efficiently and retain top talent.

#### **What is it you’re proudest of?**

We are most proud of the service that we provide to travelers. Before we started the company, it was difficult for people to navigate the trip planning process – you had

to visit numbers of travel sites to feel confident you were making a good decision. By showing people all of their travel options in one place, we’ve taken the guesswork away. If they come to KAYAK, we will do all the heavy lifting for them, and we do it in an objective way. We have enabled a lot of people to save a lot of money on their trips, and it has given them the opportunity to see the world in ways that perhaps they wouldn’t have otherwise.

#### **You spoke about outsourcing. What is your philosophy on finding and motivating talent?**

People come first in everything we do. We are focused on finding great talent, motivating them and then giving them the organizational freedom to realize their best ideas for how to make KAYAK better.

#### **Is there anything that you look for in talent, where you meet someone and within 30 seconds, you say, “That might be someone I’d like to hire”?**

For us, it’s about that perfect blend of aptitude and passion – a very smart person who wants to make an impact. We look for self-starters who don’t need to be told what to do but actually have a vision of what they want to do and the capability and the competency to make it happen. You can usually pick that up about someone in about 30 seconds.



*“Workspace is a very important indicator of company culture.”*

### **What’s your philosophy about culture?**

For me, it’s being both transparent and direct. One thing we have going for us at KAYAK that is different from other companies is the speed at which we move – it is part of our DNA. We call it ‘innovation velocity’- which means seeing a market need and meeting it as quickly as possible.

### **How do you fuel this innovation velocity at KAYAK?**

It’s the recognition that the best ideas can come from anywhere in the organization. We’ve created an environment and a culture where everyone feels empowered to speak up. Some of our best ideas at KAYAK didn’t originate from a top-down product planning process. They initiated from someone saying, “Hey, you know what? Why don’t we try this?”

### **The interior of your headquarters resembles the inside of an airplane. What are your thoughts on workspace and culture?**

Workspace is a very important indicator of company culture. You want a space where people like to go to work in the morning that actually uses your energy and doesn’t

subtract from it. I want people who commute into work, who might have a long train ride or a long drive, to walk in the office and just say, “I’m ready to be creative. I’m ready to be productive,” and who have passion and love their jobs - workspace is a big factor in that.

### **Travel is about \$10 trillion of a \$71 trillion global economy. What is the potential of the travel industry?**

The travel industry is growing faster than just about every other category. It’s bigger than books, music and electronics combined.

At KAYAK, we’re firm believers that travel makes the world a better place. If you’ve been to 15 different countries, you have a very different view of your own than if you’ve only been to five neighboring states.

### **How do you envision travel transforming by 2020?**

We’ve had amazing developments in the 12 years that I’ve been at KAYAK. First, we had the rise of PCs and then came smartphones and now, the ability to leverage the power of artificial intelligence.



*“The travel industry is growing faster than just about every other category. It’s bigger than books, music and electronics combined.”*



A smartphone gives you computational horsepower, but it also gives you identity, location and payment options. Armed with those three things, companies like KAYAK can really help you as you travel. The friction in your travel experience such as getting to the airport, presenting a boarding pass, checking in to a hotel, checking out, should be able to be done by your cellphone with just a few taps. That is where the vision of KAYAK is going.

## What’s the future of KAYAK?

We have a lot of unfinished business at KAYAK and that’s why I’m still here. We want to be the best app to plan and manage your travel worldwide. We want people to use KAYAK for all of their travel activities and we want to do that in every market. What I’m really pleased with is we have assembled the best team of people. We have the roadmap and we’re going to get it done.

**Steve, great having you on The CEO Show.**

It’s a pleasure being here, Robert. Thank you.



*Steve Hafner and Robert Reiss. Interview aired: 1/31/2016*

*Steve Hafner is the co-founder and CEO of KAYAK. His responsibilities include establishing the vision and direction for the company, building a world-class team, and guiding the development of the product. Hafner brings extensive knowledge of marketing, e-commerce and online travel to his position at KAYAK.*

*Hafner helped found Orbitz Inc., the online travel agency site, in November 1999. As a member of the original start-up team, Hafner helped develop and implement the company’s business strategy. Previously, Hafner worked as a strategy consultant at the Boston Consulting Group, where he managed case teams focusing on healthcare, e-commerce and industrial goods. Hafner received a BA in economics from Dartmouth College in 1991 and an MBA from the Kellogg School at Northwestern University in 1997.*

*KAYAK is the world’s leading travel search engine. KAYAK searches other travel sites and shows travelers the information they need to find the right flights, hotels, rental cars and vacation packages. The company’s website and apps also offer tools to help travelers plan and manage their trip, including price alerts, price forecasts and free itinerary management. KAYAK processes 1.5 billion annual searches for travel information and operates more than 40 international sites in 20 languages. KAYAK is an independently managed subsidiary of The Priceline Group.*

*photos courtesy of: Jesse Neider*



# *Most Cyberattacks are Preventable:* **Defending Your Business from the Most Prominent Attacks**



*by Steve McGaw, Chief Marketing Officer - AT&T Business Solutions*

The cybersecurity field has expanded astronomically in the past decade. Once seen as an issue for IT professionals alone, it's now the focus of every business leader, on the news seemingly every day, and a frequent household conversation topic. But the expansion of the cybersecurity space extends beyond the news hype. In fact, the process of executing cyberattacks has been mainstreamed.

Common attack methods have been shared such that today, anyone from a student to a criminal organization can download and reuse prevalent attacks. This means that the processes and software used for malware attacks, Distributed Denial of Service (DDoS) attacks, or Advanced Persistent Threat Attacks have become widely available.

The result? 90% of today's cyberattacks are considered "known" attacks, or attacks that security professionals are already very familiar with. This means that despite the hype around new and "never-before-seen" attacks, 9 times out of 10, it's a standard, well-known attack that's taking down business operations.

New research in AT&T's latest Cybersecurity Insights report, "The CEO's Guide to the Threat Landscape," shows that in the past year, 90% of businesses experienced a malware attack, 80% experienced a cybersecurity issue as a result of employee activity, and 73% experienced a DDoS attack.

These numbers are undeniable. Businesses are facing increasingly frequent cyberattacks, and most of them are

preventable. Security protections for "known" attack types are widely available, for businesses of all shapes and sizes. While the attention surrounding newly discovered threats often implies that they should become the top security focus, businesses need to remain vigilant about known attacks.







Every business should evaluate their security protections, and ensure they are continually updating and reviewing these protections. It's also essential to remind employees about security. In many cases, it's the simple, innocent mistake of an employee clicking a suspicious link that can breach an organization's defenses and create a security incident.

### To help prepare for these “known” threats, every business should:

- Build your defenses around known threats
- Create a security culture within your organization
- Keep current with security patches, logs, and software updates
- Implement new technologies with security in mind

To learn more, and find a detailed guide for business leaders on how to effectively prepare for these threats, check out “The CEO’s Guide to the Threat Landscape” at [www.att.com/cybersecurity-insights](http://www.att.com/cybersecurity-insights).

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# Top CEOs Share Their Secrets Of Legendary Customer Service

Sam Walton, the founder of the world's largest company, Walmart, once summed up his business philosophy by stating, "The goal of a company is to have customer service that is not just the best but legendary." As leaders aim to achieve legendary customer service, I thought it would be fascinating to hear from CEOs of top companies in financial services, healthcare and retail their secrets of service. So on September 22, 2015 I had a discussion with these three service leaders about their service model, culture, and leadership philosophy:

- **David Nelms**, Chairman and CEO, Discover which ranked highest for credit card customer satisfaction among U.S. credit card companies in 2015, and pioneer known for reinventing the entire credit card business.
- **Sharon O'Keefe**, President, University of Chicago Medical Center, one of the leading academic medical centers in America known for its groundbreaking therapies to patients.
- **John Venhuizen**, President and CEO, Ace Hardware, the industry leaders with nearly 4,900 locally-owned and operated stores all across the world and winner of nine consecutive J.D. Power awards

To kick off the discussion, Jose Martinez, a customer experience expert from North Highland shared, "Top organizations are now spending 2% of revenue on customer experience, as it increasingly becomes leaders' success engine."

**Robert Reiss: What's the secret behind your customer model?**

**John Venhuizen:** We call great customer service our weapon in the world. And we take it quite seriously. In an effort to simplify, we seek to operationalize this into three buckets. First, we take all non-customer facing daily tasks and streamline them operationally like a lean manufacturing process, but apply that to retail. By simplifying we reduce the amount of non-customer facing time so we can increase the amount of customer facing time. Second, we develop a bottoms-up schedule for our people where we align store talent with our projections for customer visits that day and tasks required to operate the store. Third is our most important bucket, which we call "operationalizing helpful." Our customer service is everything to us and we don't believe in leaving that up to chance. So simplification through systematized operations, but always within the framework of never letting local stores lose their own local autonomy and personality, which is where the real magic can happen.

**Sharon O'Keefe:** Here are two things we do. On the IT side, we have patient portals so a patient can connect directly to their medical record and interact with their clinician through emails or secured texting. They can schedule appointments and view their own test results. Connecting patients to their own clinical information makes it easier for them to navigate the complexities of healthcare. A second thing is "meds-to-beds," where when someone is discharged before they leave we will fill

every prescription on the spot, saving a trip to the pharmacy, and provide the patient education and instructions on how to take their meds. In fact the nursing staff within 24 or 48 hours after discharge actually calls the patient and family member to check how everything's going and if there are any questions. This really reduces anxiety and makes people comfortable.

**David Nelms:** We have found a key to customer service is about customers being able to connect with the right person immediately. Many years ago, we pioneered 24-hours a day, 7 days a week customer service for the credit card business. And today, when most companies make it hard to reach a person, we do the opposite. If you've got Discover Card, the very first option is to connect with a Discover employee located in the U.S. In fact, we still house all our own employees in the U.S. Then, we empower our customer service representatives to completely take care of the customer.

**Reiss:** How do you build a culture that delivers your customer model?

**Nelms:** I agree with John, it starts with values. We also have a set of eight values and it's not just something printed on the wall, it's something everyone lives. The very first value is do the right thing, which covers a lot of ground on its own. One way our culture delivers new customer innovations is through our feedback loop system of getting positive feedback and collecting complaints. We get feedback from all different sources, so we look for patterns to improve our operations and products. Here's an example of how customer feedback has helped us develop important initiatives. We started the rewards category in credit cards many years ago and are a leader in cash rewards. In fact, we gave more than a billion dollars in 2014 in cash back to our customers. Recently our customers told us through feedback loops from our representatives, that they wanted a simplified system where you never lose rewards. So, we created a new system where customers can now redeem their earnings at any time and never lose the rewards.

**Venhuizen:** Our vision is to be the best, most helpful hardware stores on the planet. We focus on communications, values, and behaviors. With communications, we try to permeate service into everything we talk about at

Ace with aspirational language that we're fanatical about customer service. Nearly all of our 4,900 stores around the world are locally-owned and operated; because of that, patrons of our stores are more than customers, they're neighbors. Ace store owners live and work, and go to church alongside members of the communities they serve. We like to say our company was built on bedrock and that bedrock isn't our brand or supply chain; our bedrock is the values of our owners. We believe in integrity, gratitude, humility, teamwork, and love. And yes, a 90-year-old company that sells hardware, has our highest value as love. We think when we've got people that love what they do and who they do it with, we're going to outperform our competitors.

**O'Keefe:** We've reduced the concept of great culture down to just two simple things: respect for people and continuous improvement. And what we want to do is engage all of our employees, the clinical staff and the non-clinical staff in coming in every single day and looking for ways to improve services to patients. The respect for people is respect for each other, respect for the patients, respect for the diversity of patients we serve, respect for their families. It really permeates everything. It creates a platform on how we expect our employees to interact with our patients or our customers. We also have behavioral standards which we call, "PRIDE Values." We reward participation, respect, integrity, diversity and excellence in everything that we do. And we celebrate those wins and tie this into ways to show respect for people and continuous improvement.

**Reiss:** What is the core of your leadership philosophy?

**O'Keefe:** It's all about respect for all people and spend every day trying to humanize healthcare.

**Venhuizen:** I would say our local Ace owners prove every day that from a leadership perspective, a servant heart is not the enemy of a profitable business but it's the enabler of it.

**Nelms:** It's pretty simple. Understand your customer and do the right thing for your customer. And sometimes, the P&L may look negative but if it's the right thing, you still do it.





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