3 Takeaways Podcast Transcript
Lynn Thoman
(https://www.3takeaways.com/)

Ep 104: The Leadership These Times Demand – with Vik Malhotra, McKinsey's Chairman of the Americas

INTRO male voice: Welcome to the 3 Takeaways podcast, which features short, memorable conversations with the world's best thinkers, business leaders, writers, politicians, scientists, and other news makers. Each episode ends with a 3 key takeaways that person has learned over their lives and their careers. And now your host and board member of schools at Harvard, Princeton and Columbia, Lynn Thoman.

Lynn Thoman: Hi everyone. It's Lynn Thoman. Welcome to another episode. Today, I'm excited to be with Vik Malhotra. Vik is chairman of McKinsey Americas, that's McKinsey North and South America, and chair of the board of the Wharton school. He is co-author of the New York Times and Wall Street Journal bestseller, CEO Excellence, which is based on his interviews with the most successful CEOs like chiefs at JP Morgan, Sony, Netflix, and Microsoft. But the book is not so much about the best CEOs, but what Vik and his two co-authors learned about leadership. One of my favorite ideas is to create a to-be list. I'm excited to learn more. Welcome Vik, and thanks so much for our conversation today.

Vik Malhotra: Thank you for having me, Lynn, it's a pleasure to be here.

LT: It is my pleasure. Vik, let's start with the to-be list. What does it mean?

VM: The to-be list was an idea that was introduced to us as we were doing our interviews by a wonderful gentleman by the name of Michael Fisher, who was the CEO of Cincinnati Children's Hospital. And Michael's point of view, which we found echoed time and time and time again by other CEOs, other great CEOs, just using different words, but really echoing the same sentiment was, they all wanted, in addition to their to-do list, they wanted a to-be list. The difference between the to-do list is, the to-do list is a list of things you just do every day, you've got a set of tasks you've got to undertake, they need to be done; but the to-be list is what do you want to be as a leader, as a human being, as a contributor to society. And Michael would say that my to-be list includes things like, "I want to be authentic. I want to be thoughtful. I want to be inspirational. I want to be ambitious." It doesn't always have to be elements where you're giving. It could be the kinds of things you want to be. And his very simple principle was that at the start of every day, I look down my to-do list and I would look to see, where could I execute some of the elements of what I wanted to be as well, in addition to what I needed to do. And so that is where the to-be list was brought to life by Michael Fisher in our interviews.

VM: But many, many of the CEOs we interviewed actually live their version of to-be in their daily lives. And they kind of try and make sure that they bring it into their daily lives in the leadership sense day in and day out.

LT: The to-be list is my very favorite idea in your book. What are some of your favorite ideas?

VM: I think the notion of boldness, particularly when it comes to strategy and direction and vision

for a company, to me really resonated, it seems so simple, and it seems so obvious, but too often leaders take on roles and the institution of the company is doing just fine. And it's very easy to go down the path of steady as it goes, or frankly even worse, be incremental. And I was just struck about how great leaders are really, really, really bold. They're really bold and they're particularly bold in the vision that they set for themselves. The ambition that they set for themselves, they're almost audacious in the ambition that they set for the company and the direction that they want to take the company. And I think that boldness really plays out with our most successful leaders in the business world, but I would actually argue that it would be true elsewhere as well. So that was one that particularly resonated with me. The other idea that I'd love to share is, I can't impress upon you the number of great CEOs that talked about the importance of having great talent.

VM: Yes, incredible talent. You want a lot of people who are truly stars in many ways in terms of how they operate, but they also emphasize just the important difference between having a team of stars who may or may not collaborate well together versus having a star team. So this notion of, it is not about a team of stars, it is about having a star team and really getting a team that comes together well to deliver what the institution needs. That notion particularly resonated with me.

LT: What surprised you most in your interviews with the top CEOs?

VM: One of the elements that really surprised me was how the very best CEOs spend their time. I have encountered a lot of CEOs during my 36 years working at McKinsey, and many of them are very operational, very hands on, get their hands dirty, dive deep into the businesses. And that's the way that they operate. What I took away from the way that the greatest CEOs spend their times is they really focus on the things that only they can do. This notion and this mindset of what is it that only I, as the leader, as the CEO can do. And what it then translates into is that they typically spend a third of their time on vision and strategy and setting the direction of the company, including by the way, a lot of operational energy on resource allocation in terms of where capital expenditure, expense expenditure, talent gets allocated. So a third of their time on setting the direction. Another third or 40% of their time on culture and talent and aligning the team, getting that right, and then increasingly close to a third of their time on connecting with stakeholders, particularly external stakeholders, given everything that's going on in the world, given all the demands of the external world.

VM: But what it means is they've got to trust their teams to really go and get the work done. They've got to know enough to be dangerous, enough to know when to intervene, when to jump in, when to engage, but they also recognize it is not their job to run the company day in and day out. It is not their job to be in the weeds of the daily crises, the daily issues. Others need to do that. And I found that to be a very refreshing change from the way many leaders that I've observed end up spending their time.

LT: How do you think about personal effectiveness, what is it? How do you get better at it?

VM: I would say that there are three elements to it. Element number one is, think about really managing both your time and your energy. So again, I found the very best leaders end up, they learn this, they're not always good at it on day one, but over time, they very much learn the fact that you've got to be ruthless on calendar management. So surround yourself with the executive assistant, the chief of staff, whoever it is that can help you really prioritize how and where you spend your time. But they also, just as importantly, work hard on managing their energy. They

recognize this as a multi-year journey, you can pour yourself into this 24/7, but if you do that all the time, you're not going to manage your energy well, and if you don't manage your energy well, you end up being a less effective leader. They manage their personal effectiveness by both managing how they spend their time and how they manage their energy and keep their energy levels high. That's bucket number one. Bucket number two, is they're really good at compartmentalizing. The reality is we are all hit as leaders with issues on a monthly basis, on a weekly basis, often on a daily basis.

VM: And your ability to set aside an issue and come back to it, rather than let it affect your next meeting, your next interaction, God forbid, there's been a crisis, and then you walk into a 3000-person town hall and have to inspire those 3000 people, you've got to be able to compartmentalize. And they're very good at compartmentalizing. And then the final piece I would just emphasize, is they are incredible servant leaders. The people with the best personal effectiveness tend to have those wonderful traits of servant leadership around being visionary, yes, having perspective, yes, but they're also authentic, they're humble, they realize that this is not about them, it's about the institution, it's about working through others, and with others, and making others successful. All of those traits help with personal effectiveness, and really making sure that you bring the best of yourself to work every day as a leader.

LT: I love your example about servant leadership, I think it's Reed Hastings. Can you tell that story?

VM: Reed Hastings is talking about how he operates as a leader, recalled an incident when he was a young software engineer working at another company. Netflix had not been founded at the time. And like many young software engineers, he worked late into the night, often until midnight, 1 or 2 AM. There'd be coffee cups strewn all over his desk. And he'd go away and come back seven or eight hours later. And all the coffee cups would've been cleared and washed and put away in the little kitchen pantry. And then he'd start helping himself to more and more cups of coffee. One day, he happened to leave at midnight, and his mind was alert, and he said, "I got to go back in and solve this problem." So he goes back in at 5 AM in the morning and he hears a lot of clanking in the pantry, he walks in there. And much to his surprise, he finds the CEO of that company actually cleaning all the cups and assembling everything to have the cups ready for people as they walk in the next morning. And Reed said to the CEO, "What are you doing? Why are you doing this?" And he said, "You and many of the engineers do so much for me and for this company, this is the least I can do for you." And so Reed always recalls that story in terms of how he needs to, in his own way, be a servant leader with his people at Netflix and in other institutions that he plays leadership roles in. So that's the story that always stuck with him. And he recounted that to us for our book.

LT: It is such a wonderful story. Many of your ideas are counterintuitive, such as, "Don't put talent first." What did you learn about talent? And what do you mean by, "Don't put talent first?"

VM: Of course, Lynn, we did make that little statement just to be provocative. And we all recognize and realize the importance of talent. So I should say, before I get into explaining that statement, it should be clear that if there was one thing that stood out with the leaders that we interviewed, talent is all important. Without great talent in your organization, you cannot be a great leader, you cannot be a great CEO. Talent is all important. In fact, I asked all of these CEOs a open-ended question somewhere in the context of an interview, trying to not bias the answer, which is, "What is your one single biggest regret?" And nine out of 10 of them gave some version of, "I didn't

move fast enough on talent." Whatever that might have meant for them in their individual situation. So talent's critical, they all recognize the importance of talent. But this notion of, "Don't put people first," is the idea that many of them actually live and work with, which is it doesn't start with the talent, it starts with the key critical roles. Many of these CEOs recognize that in any institutional scale, let's call it 20,000, 30,000, 50,000 employees, there happen to be 200, 150, 250 roles that disproportionately impact the performance of the institution and its share price.

VM: So you might take a manufacturing company, and in a manufacturing company that has 20 plants, it might be 2 plant managers out of the 20. Neither of these report to the CEO, of course. It could be the head of supply chain, who also doesn't report to the CEO. It could be the new head of digital that's going to change the way the company thinks about the digital environment. Again, reporting likely to the chief technology officer, not the CEO. And then understand and know what these 200 roles are. And then they drive their very best talent internally, and if needed, go out, recruit externally into these roles. And they pay a lot of attention to these roles. And yes, of course, they pay attention to the people in those roles, but they start with the roles, they don't start with the people.

LT: What are some of your other ideas that go against conventional wisdom?

VM: I thought on the whole topic of aligning the organization, the mentality that a lot of these CEOs brought to the notion of you've got to treat the soft stuff, culture, talent, etcetera, you've got to treat the soft stuff as the hard stuff. In other words, on culture, on talent, on things like that, you can absolutely define where you want to go, put metrics around it, role model it, build capabilities on it, measure it, pay people on it. This whole notion of don't think about culture and talent and teamwork as soft stuff. These are, yes, of course, you've got to bring human interaction and human touch to it, but there's no reason why it's not as manageable as a budget or resource allocation is. I thought that was a little counterintuitive, at least for me. And another one, within that bucket on culture that was counterintuitive to me, was a very strong message from these great CEOs in big institutions, moving culture completely is very difficult to do. So your best bet is to look at where you're going with your vision and your direction and pick the one, maximum two, elements of culture that you can shift and really kind of push hard on that over a multi-year period.

VM: So don't try and move 10 dimensions of culture, pick one or two that are going to fundamentally change the direction of the institution and really talk about that, communicate it, role model it, measure it and live it day in and day out. And so many of the great CEOs we talked to would pick on one cultural attribute and talk about nothing else for three years, literally till it became part of the fabric.

LT: And acting is always more important than words. What are the one or two actions that you've seen CEOs take to change culture that you found truly extraordinary?

VM: I would say that you're exactly right, Lynn, which is actions speak louder than words. I might respond to your question in two buckets. One is they will pick on a particular, a cultural attribute and they, as I said, they will just talk about it for three years in a row. Satya Nadella at Microsoft wanted to deliver the notion of the growth mindset. And for three years, that is all he did. And he had a lot of tricks and tips that allowed Microsoft to move on that dimension. Kaz Hirai at Sony wanted to introduce the notion of kando, which loosely translated as the wow factor. And that's all he did and talked about for three years was kando kando. Let's deliver the wow factor to our

customers, no matter whether they're in the entertainment world or the electronics world or the financial services world. So there's that one aspect, which is the practical actions is the way that they literally personally role model it and talk about it day in and day out. The other way that actions speak louder than words is what I'll call cultural signals that some of the very best CEOs deliver. It's the actions that they take, the signals that they take just in terms of doing one or two things that sends a very loud message through the organization.

VM: So to give you a couple of examples, Piyush Gupta, who was the CEO of DBS, or is the CEO of DBS and has done a wonderful job there, he wanted to push the whole notion of technology and innovation in the company. One of the software engineers to try and improve the customer experience actually made a change in the way that their whole ATM process worked. And it ended up being a failure. It ended up costing the company money because it ended up enabling some fraud and some other actions that didn't work. Piyush didn't sanction this, he celebrated it. He said, yes, this didn't work, but this is what I want to see more of. I want to see more innovation. I want to see more energy [inaudible]. I want to see more people taking risks. And so he kind of founded a celebratory moment and that allowed for a real cultural signal into the organization. Another CEO was on a plant tour and saw that the plant facility was really not in great shape. There was bricks out of order in the wall and the like, and they actually went down, and this is in the book, they actually had the wall taken down and rebuilt as a signal that perfection was important, even when it came to walls in factories that their customers couldn't see. So these cultural signals and actions that you take are important because they absolutely run through the organization in terms of messaging.

LT: A couple of other examples on changing culture really stood out to me. One is Jack Kennedy and NASA. And the second is Toby Cosgrove, the CEO of the Cleveland Clinic. Can you talk about those?

VM: Yes. I'm going to be less facile on talking about the Jack Kennedy and the NASA one, which is, of course, a big dream and well documented. But I will anchor in on the Toby Cosgrove one, the Toby Cosgrove one was where he came into the Cleveland Clinic, which today we all recognize as one of our preeminent healthcare institutions. It wasn't always that way. I mean, Toby took it over, one of the things he noted early on was that the patient experience was particularly poor. And that they needed to very much up their game on the patient experience. To do so, one of the things that he did was he gave everyone in the organization at the time, I forget whether it was 20,000, 25,000 people in the organization. He gave everyone a button, one of those big buttons you stick on your lapel and the button read, "I am a caregiver. I am a caregiver." Interestingly, the people who actually pushed back on it were the doctors and nurses who said, "No, no, no, we're the caregivers. We can wear this button, but why are you giving it to the technician or the person in finance or the person who's in the cafeteria?" And Toby was adamant. He said, "If we want to deliver an exceptional patient experience, it's got to be from everyone. Yes, it's the doctors and nurses giving the primary care, but everybody has a role to play when it comes to the patient experience."

VM: And as a result, everyone at the Cleveland Clinic, after he got over the initial skepticism, wore this button and it sent a very, very powerful message. And I think from everything I can read and everything we see out there, the Cleveland Clinic today is one of our primary healthcare facilities. Yes, it's got the quality and it's got the talent, but it also always wins highly on patient experience.

LT: That is such a great story. So culture is really important, what you call the soft stuff is more important than the hard stuff. What do you think the most important soft skills are?

VM: I would say that this notion of solving for your team's psychology as a leader. As a leader, you have a team, it could be small, it could be large, being able to solve for the team's psychology, so that you can really bring them together as a team. To me, that's the hardest thing to do. And too many of us just take bringing a team together as a natural thing that happens, you come together and you have your daily meetings or your huddles or your conversations and it all works out. No, it doesn't. It requires real hard work, it requires real hard work from, starting with thinking through the composition of your team. Who's going to be on it? Start thinking hard about how the team works and interacts well with each other. Thinking about how you build camaraderie through real work. What is your agenda so that everybody feels involved in the agenda and the conversations and the dialogue and the discussions? What are some of the other things you're doing to make sure that the team is bonding? Whether it's off-sites, whether it's social events. These are all simple things at one level, but really thinking through the team, its composition, who is on it and how it's really bonding and come together and the psychology of the team, to me is absolutely critical. You get that right and you can conquer anything. But that's hard work, it's hard work to really create a truly dynamic winning team.

LT: Vik, before I ask you for the 3 takeaways that you'd like to leave the audience with, is there anything else you would like to mention that you haven't already touched upon? Or what should I have asked you that I didn't ask?

VM: There are two challenges for today's CEO that are different from history, or at least two that really kind of caught my attention. One is the pace of change is so much faster. And CEOs and leaders in general are having to make decisions with less perfect information and often take bigger bets than they would have done historically. Historically, they had all the time in the world to kind of assess and analyze and then make your decision. And that is just no longer the case. So, the pace of change and the intensity with which leaders have to deal with it, certainly struck me. The second thing that struck me was, how much more time these great leaders are having to spend in the external world. Some of it is planned - unions, regulators, investors, analysts, all of that - external forum. Some of it's unplanned, war in Ukraine, death of George Floyd. These pressures come at you as a leader and you've got to deal with it. How do you react? How do you norm for it? That's just taking up a lot more of their time than many of them would have anticipated. And the very best are learning how to adapt to it and really kind of thinking about, "How do I think about what's best for the company? How do I think about the values of the company? How do I think about the purpose of the company? And how does that really factor into how I react, to a lot of what I need to do externally?" Both planned and unplanned.

LT: Vik, what are the 3 takeaways you'd like to leave the audience with today?

VM: Three takeaways for me, out of my life experiences, and I'd love to share with the audience, are the following: The first is, I'm a great fan of Robert Greenleaf. Robert Greenleaf in 1975, wrote the seminal essay in my mind, entitled, "The servant as a leader". And in this he documented an approach to leadership that it didn't exist at the time. Really didn't exist at the time. In the mid '70s, you had a lot of hierarchical leaders, a lot of top-down leadership, that was the norm. And I believe in his own subtle way, he's influenced a generation of leaders. He's certainly influenced people like me, around the mentality around leadership. And in this essay, he talks a lot about the importance of a leader to have vision and to have perspectives, but he also talks a lot about authenticity and being humble and all of that. And working through others and listening to others and making others

successful. And to me, that is the way leaders should be. They should follow the principles of Robert Greenleaf. And for those of you listeners, who have never read him, you may not want to go read the whole detailed essay, but there's certainly the Cliff Notes version available and I swear by it and I certainly try and live by it.

VM: The second writings that I've been taken with, is a professor at Wharton by the name of Adam Grant. And Adam writes about this notion of givers, takers and matchers. And he would argue that 50% of all people are takers, they like to take from others. 40% are matchers, they give as much as they take, but that's where it lets out. And only 10% of us are givers and that's his analysis. My own extrapolation of that is, you want to be in the 10%. You want to be in the 10%, because while you may never in the moment be able to measure the value of what you're giving, over time, you will receive much more back, if you are a giver in general. Whether it's a giver of advice, giver of help, giver of donations, whatever it might be. If you are more of a giver than a taker, you will find greater reward in many, many different ways in life, if you go down that path. That would be my second takeaway is in life, be a giver, not a taker. And my third takeaway would anchor back in, on the book that we've been talking about, which is just this whole notion of a mindset of "be bold". Just this notion of a mindset of "be bold". I think beyond the business world, one can live life with a sense of boldness, a sense of really try and push the envelope in all you are trying to do.

VM: I think we will individually be more successful and I think as a society we'll be more successful. Of course, within purpose, within values, within all of that. But boldness collectively, I think will help us all go a long way.

LT: Vik, this has been great, it's been a pleasure. Thank you so much.

VM: Thank you, Lynn, I appreciate it. Thank you for having me.

OUTRO male voice: If you enjoyed today's episode and would like to receive the show notes or get new fresh weekly episodes, be sure to sign up for our newsletter at https://www.3takeaways.com/ or follow us on Instagram, Twitter, LinkedIn and Facebook. Note that 3Takeaways.com is with the number 3, 3 is not spelled out. See you soon at 3Takeaways.com (https://www.3takeaways.com/)