

VITAL SPEECHES *of the day*

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WHAT PRESIDENT TRUMP'S ELECTION CAN TEACH US ABOUT MANAGING OUR HUMAN RESOURCES

If corporate taxes are lowered, or offshore cash is allowed to be repatriated, please argue inside your companies that some of that money be invested in your talent rather than buying back shares or increasing your dividend. ... Shareholders are not the only constituents that matter.

Address by DAN HESSE, Former CEO, Sprint;
Board Member, PNC



Delivered at the Conference Board's 17th Annual Talent Management Conference, New York City, March 1, 2017

It's a pleasure to be with you this morning, and an honor to give the opening keynote of the Conference Board's 17th Annual Talent Management Conference in New York City. Each of you know your job is important to your company. I hope that after my remarks you'll feel that you're even more important to your organization.

I'm going to share some of my personal journey with you as well as some new, compelling data in terms of what the American public is now looking for from U.S. companies. The country is reaching a "tipping point" in terms of the way it thinks about the asset that you manage, a company's human capital. They want companies to serve all stakeholders versus what is viewed as an over-emphasis on shareholders as the only constituency that matters. I believe that in the coming years, there will be no more important driver of a company's reputation than the perception of its treatment of, engagement by, and satisfaction of its workforce.

In my view, a great workforce can only exist where a strong culture has been created and nurtured. Culture is the bond between people, the common language, the camaraderie, empathy and respect that exist between the people of the organization. Culture is how things get done.

I was hired by Sprint as CEO in December of 2007. Largely due to difficulties resulting from the merger with Nextel, Sprint was on the brink of bankruptcy. Employee engagement and satisfaction were low, as was customer satisfaction.

In my view, if you're called in to save an organization in crisis, you need to do four things quickly, 1- decide What you're going to do, 2- decide Who is going to do it, 3- create How it's going to get done, otherwise known as culture, and 4- know what Levers you're going to pull to get all of the company's oars pulling with maximum force in the same direction.

For What, we decided the priorities Sprint would focus on were 1- the Customer Experience, 2- the Brand, and 3- Cash. For Who, we made a number of changes in the management leadership and on the board. 3, How, was probably the most important issue. Sprint/Nextel had been created by putting two companies with strong, successful cultures together, but a new company culture had never taken hold, so we had two competing cultures and therefore two teams operating inside the company.

To get everyone in the company involved and *engaged* in the culture, and to give everyone a stake in the new culture, I sent a survey of twenty potential cultural attributes and asked all of our people to vote for the ten we'd embrace as the new Sprint culture. I still have the wallet card we made for everyone with our priorities and new culture on it.

To make the company engine run at full power, you need strong "levers" in place. The two levers I have found to be the most impactful are 1- compensation, and 2- agenda. People will do what they're paid to do. If we said the customer experience is number 1, then you should pay people for it. We

put every person in the company on the exact same metrics for the "at risk" or "bonus" element of our compensation, even people without customer-facing jobs, from me to the team in the mailroom. We'd all get paid on achieving our customer satisfaction metrics, such as reducing calls to customer care and minimizing customers leaving us or "churning."

Lever 2 is agenda. If it's important, it's on the agenda. I don't know how many "programs of the year" I've encountered during my career, like "quality", where it wasn't on the regular agenda. If not on the agenda, it's not important. Your people are smart. They know that. So, every one of my operations team meetings for the seven years I was there began with the customer experience. To prepare their bosses for my meeting, my direct reports' team meetings started with the customer experience, and so on down the line. So, making customer satisfaction first on the leadership's agenda, flowed through all agendas, and therefore, how the company spent its time top-to-bottom. It stands to reason as well that companies that get the most from their human capital investments are those that put HR topics on the leadership and board agendas regularly.

The levers worked. We went from last to first in the American Customer Satisfaction Index for our industry. When I retired, the ACSI recognized Sprint as the most improved US company in overall customer satisfaction, across all 43 industries they studied over the previous six years.

Every bit as dramatic was our improvement in employee satisfaction and engagement. A 2012 Gallup study found that organizations with high employee engagement outperformed companies with less engagement by 22 percent in profitability and 21 percent in productivity. Sprint's employee engagement scores (defined as willingness to give the best effort) improved remarkably and climbed well-above peer benchmarks.

Employee commitment scores (defined as willingness to stay with the company long-term) were very low at the onset of the turnaround but improved to top quartile as compared to peer benchmarks. Both the commitment and engagement scores showed great improvement even as we went through sizable force reductions, necessary to keep our debt-laden company out of bankruptcy.

Our voluntary turnover also improved substantially. The same Gallup survey found that engaged workforces had lower turnover too—65 % lower in traditionally low-turnover companies and 25% lower in traditionally high-turnover organizations.

At Sprint we learned that satisfied, engaged employees drive customer satisfaction. Satisfied customers in turn improve employee pride and satisfaction. It was the classic virtuous cycle, as satisfaction from both stakeholders, customers and employees, climbed in parallel.

Peter Drucker once said that “culture eats strategy for breakfast.” I believe this to be true. It's how people feel connected to each other and connected to a cause greater than themselves. Every top company that I know of has a distinct and strong culture. We built one at Sprint, based on customer service, integrity (which was always the highest rated cultural attribute in our employee surveys) and a caring for and empathy for our people.

But do we all care enough?

The recent presidential election should provide a wake-up call. Many of us living in what Charles Murray refers to as the “bubble,” the

protective barrier of prosperity, were surprised by the election results. The stock market has done well in recent years, but we have a large working class that hasn't prospered. They're fearful about their jobs, and many are having difficulty making ends meet. Many grew up in an environment when one parent working one job could support the family. They wonder why having a job is no longer enough to support a family, and believe that employers and the government have little empathy for the plight of working-class Americans.

JUST Capital surveyed tens of thousands of Americans about how they want American companies to behave in order to buy from, work for, or invest in them. The same themes came through in this survey that came through in the election. I'll share some of these results with you: 96% of respondents believe it's important to measure JUST business behavior. Over 80% indicated they would seek out and use information on JUSTness in purchasing, employment and investment decisions. The majority of Americans, 63%, across age, political affiliation, gender, and income believe in business, yet at the same time, 56% believe that corporations have become less JUST in the last decade.

Justness might become the new leading measure of brand strength. The American people told us that they think investors are an important constituency, but they want to see “JUSTness” for all stakeholders: for customers, communities, the planet and especially employees.

There were 36 key components respondents told us they looked for in companies which make up the 10 drivers of JUSTness: worker pay and benefits, worker treatment, leadership and ethics, customer treatment, product attributes, domestic job creation, environmental impact, supply chain impact, investor alignment, and community well-being. Half of the rating weight is made up of only two drivers, how a company's employees are paid and treated.

Worker pay and benefits components include items like “sponsors health insurance,” “pays a living wage” and does not discriminate in pay”. Worker treatment includes components like “provides a safe workplace,” “does not discriminate in hiring, firing and promotion practices”, “provides education and training,” and “respects workers”.

Leadership and ethics includes drivers like “has leaders with integrity,” “is truthful in advertising and labeling,” and “follows laws and regulations”. Customer treatment includes “maintains strong relationships with customers” and “protects customer privacy”.

Product attributes includes “makes quality products”. Environmental impact includes “minimizes pollution”. Investor alignment includes “is transparent and accurate in financial reporting” and “is profitable over the long-term.”

The respondents also want to do business with companies that do not have suppliers with abusive conditions, that maintain strong relationships with communities and contribute to charitable causes, and that create jobs in the US. These surveys were taken in 2016, but before the election.

Corporate Responsibility efforts are extremely important and helpful, but would you have predicted that your HR policies, how you pay and treat your people, would make up almost half of how your company would be viewed, if customers, employees and potential investors had this information? I thought the mission of providing this information was so important, I joined this non-profit's board of directors. JUST not only surveyed the American public to determine what is most important to them, but has collected hard data from dozens of sources to quantify how companies are performing in each of these areas. We want to provide a “Consumer Reports”, if you will, for JUSTness. We hope this will drive purchase, investment and career choice behavior, which will in

turn drive corporate behavior. Again, 96% believe it is important to measure JUST business behavior, and over 80% say they would seek out and use this information on Justness in purchasing, employment and investment decisions.

The “Just 100”, a list of America’s 100 most Just companies has recently been published. I urge you to look up your company, and how you stack up in your industry. There are many meaningful insights and we believe there is much which is actionable by your companies now. If you want to learn more, go to the justcapital.com website.

I discussed Sprint’s experience and Gallup results which show the relationship between customer satisfaction and employee satisfaction. Employee and customer treatment make up 57% of the weighting for “Justness.” I took a look at my industry, telecommunications, and using the Glassdoor’s overall ranking as a measure of employee satisfaction, there is a strong statistical correlation in my industry between employee and customer satisfaction (as measured by the American Customer Satisfaction Index). There is a correlation between customer satisfaction and employee ratings of senior management, a good proxy for “employee respect.”

I can’t overemphasize the importance of employee respect and empathy. Yogi Berra once said, “you can observe a lot by watching.” I learned leadership by watching. I only wanted to follow leaders who showed respect and empathy. Some believe soft skills aren’t important. I couldn’t disagree more. A Kellogg School of Management study has shown that people experience a loss of empathy as they move up the hierarchy. In your roles, as the cultural consciences of your companies, make sure those you’re promoting to leadership roles have the people skills necessary, and that they don’t lose their empathy as they gain power. Your corporate brands and reputations will depend on it.

In addition, about 70% of industries see a strong correlation between the overall JUST score and a company’s overall Glassdoor rating, indicating how important employee satisfaction is to JUSTness and emerging brand strength.

In conclusion, the American economy continues to grow and get stronger, driven largely by increasing productivity, much of which has been brought about by technology. As we implement great new technologies powered by the mobile internet revolution I’ve had the privilege of being a part of, we can’t forget the human cost

as we innovate in areas like artificial intelligence, robotics, and self-driving vehicles. As the JUST study shows, Americans want us to invest in our workers and train them with the skills to succeed in the new economy.

If tax reform is passed, we may never have a better opportunity to make a difference. If corporate taxes are lowered, or offshore cash is allowed to be repatriated, please argue inside your companies that some of that money be invested in your talent rather than buying back shares or increasing your dividend. The Administration wants a portion of repatriated cash to go into American infrastructure, but there is no infrastructure more critical to our nation than the training of our work force. In my view, it’s a moral imperative that we do so.

Americans have clearly spoken, at the polls and in the JUST survey, that shareholders are not the only constituents that matter. We’re at a tipping point in this country. As HR leaders, you have unprecedented significance in determining the strength of your company’s brands, and making your companies and this country great and decent. Our pledge of allegiance’s phrase, “and liberty and justice for all” has never had so much poignancy. Thank you.

UNDER PRESIDENT TRUMP, AMERICA STANDS WITH ISRAEL

President Trump and I stand with Israel for the same reason every freedom loving American stands with Israel, because her cause is our cause. Her values are our values. And her fight is our fight.

Address by MIKE PENCE, Vice President,
United States of America



Delivered to the American Israel Public Affairs Committee,
Washington, D.C., March 26, 2017

President Lilian Pinkus, Ambassador Ron Dermer, members of Congress, Israeli ministers, members of the Knesset, distinguished guests, friends, and fellow Americans, it is great to be back to AIPAC, the largest and most influential gathering of the friends of Israel and the United States. And it is my great privilege to speak

before you tonight on behalf of a true friend of Israel, a courageous defender of freedom, the 45th president of the United States of America, President Donald Trump.

Thanks to the support of so many in this room, President Trump won a historic victory and I’m here to pay a debt of gratitude to all of you who

helped elect a president who I know will make America great again.

You know, it’s a particular honor for me to be here with you tonight. My relationship with AIPAC spans more than a quarter of a century. It began with a mentoring role of Indiana’s Hart Hasten in my life back in 1988 as a first-time candidate for