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# JUST CORPORATE CULTURE AND NATIONAL UNITY

*Our political leaders on both sides have shown they're more interested defeating the other side than they are in governing and accomplishing. Acrimony has replaced collegiality. It's time our most just corporate leaders, skilled culture builders, begin to bring us back together by focusing on the well-being of all stakeholders, but especially our workers.*

Address by DANIEL HESSE, Former CEO, Sprint;  
Board Member, PNC and Akamai

Delivered as the David J. BenDaniel Lecture on Business Ethics,  
Cornell University, Ithaca, New York, Nov. 11, 2018

Thank you, Dean Nelson, for the kind introduction. It's a privilege to be asked to give the David J. BenDaniel Lecture on Business Ethics at this prestigious University.

I know many of you are concerned and dismayed by the divisions in our great country and the lack of leadership to bring us together. I'm going to talk about corporate culture, which is the glue and "common bond" that brings diverse people with different backgrounds and beliefs inside companies together. America's Founding Fathers fully understood the importance of a unifying set of beliefs as they drafted our Constitution. Great companies embrace strong unifying cultures, which like our Constitution plays that unifying role. This skill developed running companies is why I believe it's incumbent on our business leaders to take up the mantle of leadership that our ineffective and partisan political leaders have relinquished their moral right to.

I'm going to share my experience in turning around Sprint, and what I learned about the importance of culture in bringing a very diverse group of people together via a common set of beliefs and values.

I arrived at Sprint in the final weeks of 2007. I was the (happy) CEO of Embarq, a Fortune 500 telecom company headquartered in Kansas City, which is now known as Century Link. At the time, Sprint was looking for a new CEO, but Embarq's results and stock performance were strong, and I had a great management team and board, so I wasn't interested in the Sprint job. My wife, a retired AT&T vice president and

my business and life partner, suggested I consider Sprint's overtures as she said I'd never forgive myself if Kansas City lost its greatest company.

As many of you know, being a large public company CEO is far from a walk in the park. The pressure never stops. But I've always viewed the role as a vocation, similar to parenting, the clergy, teaching or public service. A large company CEO impacts the lives and livelihoods of millions—its employees, customers, suppliers, communities and shareholders. The private sector makes up \$18 trillion of our economy compared to \$4 trillion for the public sector, so it can be argued that CEO's are more impactful to our way of life than are our elected officials.

So, in this context, after months of being recruited for the role, I finally accepted the job. The evening I signed the Sprint contract, I boarded the company plane in Kansas City to travel to Sprint's corporate headquarters in Reston, Virginia to address the employees, press, and analysts the following morning. On the plane, our head of Communications handed me a binder which, in addition to the press release of my appointment, included the latest version of the company business outlook. The forecast projected the company going bankrupt in six months.

I'll start with a brief story about how a company on the verge of bankruptcy built a culture focused on customers, employees and responsibility that reversed its fortunes.

Sprint's woes largely had to do with a merger with Nextel that wasn't going as planned. If there's one lesson from

the Sprint-Nextel merger, it's that mergers of equals are a huge challenge. The company leadership was made up of an Executive Chair and a CFO from Nextel, a CEO and COO from Sprint, with the rest of management split 50/50 from the two companies. The board was also 50% former Sprint and 50% former Nextel directors. Nextel's headquarters served as corporate headquarters, and Sprint's headquarters served as an operations headquarters. Sprint's name was listed first in Sprint-Nextel, but Nextel's colors were adopted, and so-on. Two years after the merger, when I'd meet people for the first time, within the first 3 sentences, they'd tell me if they were "legacy Sprint" or "legacy Nextel", almost like "Democrat" or "Republican." They still identified with their tribes, not their company. There was no Sprint-Nextel culture.

My recommendation for anyone trying to drive change in a large enterprise quickly is to decide what you're going to do—your strategy, how you're going to do it—your Culture, and who is going to do it—your team.

With respect to the "what", our priorities were going to be first—the customer experience (Sprint customer satisfaction was ranked last by a large margin in the industry, and second—building a strong brand. Unlike our competitors, Verizon's brand being about network (Can you hear me now?), AT&T's about the I-phone (they were the only carrier with this iconic device) and T-Mobile's about low price, Sprint had no clear brand position.

We decided to build a brand based on Simplicity. Smart phones hit the market in 2007, so customer bills

included new separate and complex charges for voice calls, texts and data plans, so we launched the industry's first unlimited plan, Simply Everything with unlimited voice, text and data for one monthly rate: incredibly simple.

Our third and final priority was Cash. We had to cut our capital expenditures by 2/3 and our operating expenses by 1/3 if we were going to stay solvent, which meant large layoffs. With the help of my communications and human resources teams, we communicated clearly and honestly with our employees why layoffs would be needed. In the employee surveys they told us they appreciated the candor, and the detailed economic explanation of what our revenues and costs needed to be to make money. Our people knew it wasn't callousness driving these layoffs, it was about survival. We did all we could to treat the people leaving with respect.

Regarding "how," as mentioned, there was no Sprint culture. Culture is imperative for high performing companies. It's how things get done, the lubricant for maximum speed, the tie that binds people together, and the human embodiment of the brand. At an early all-hands meeting, I told the employees I never wanted to hear from anyone if they were former Sprint or Nextel, that we were going to create a new culture based on the best parts of the great Sprint and Nextel cultures and other attributes I had observed from America's best companies. To get everyone engaged with a stake in the culture, I sent out a survey of 25 cultural attributes and asked all of our people to vote for ten we'd embrace as the new Sprint culture. I told our people that, as CEO, I was accountable for culture, and speed was of the essence, so I was going to choose the attributes that would make up our new culture, but that I wanted their input. I still have a wallet card with our priorities (or what) on one side and new culture on it (the how) on the other.

With respect to "who" was going to make up the team, roughly half of

the board and half of senior management changed.

After these initiatives were implemented, the Sprint brand went from losing customers to adding net new customers at the fastest growth rate in the industry as Sprint's customer satisfaction ratings went from last to first in the wireless industry according to both JD Power and the American Customer Satisfaction Index. Sprint total shareholder return ranked first among all S&P 500 companies during my last two calendar years at the company, ahead of #2 Netflix.

The MVP of our turnaround was culture. Peter Drucker said that "Culture eats strategy for breakfast," and my experience confirms this. We discovered a virtuous cycle between employee satisfaction and customer satisfaction. Our employee satisfaction scores, especially our employee engagement and commitment scores, tracked our customer satisfaction scores, going from low to industry benchmark levels. It makes sense. Employees want to provide great service and love being empowered to do so. Customers can tell if your people love their jobs and their company.

The foundations of our culture were our people and our customers, but the third leg of our culture stool was purpose — for us, responsibility, what we called "Sprint good works". We became recognized for our good works in many areas, from community service, to inclusion and diversity, to products for those with special needs, to the environment. For example, Business Week annually recognized America's 25 greenest companies. There was only one telecom company on the list, Sprint, at #3.

The JUST Capital rankings provide further hard evidence of the importance of culture. The companies at the top of the list have cultures grounded in their people, their customers and their purpose. Many of you are familiar with JUST, a non-profit organization whose board I serve on. Just surveyed over 80,000 Americans to learn what kind of

behavior they want to see from the companies they buy from, invest in, and work for. At Just, we believe in capitalism, but capitalism needs to be improved. Even though the majority of Americans believe in capitalism, there is other worrisome survey data. According to a Harvard study, 51% of Americans from ages 18-29 oppose capitalism. The emergence of self-proclaimed socialists running for and winning national public office should be a wake-up call for all of us as we've let capitalism's values morph from a system focused on all stakeholders, including the ongoing health of the institution itself, to one that focuses too much on only shareholders, but not even all shareholders, but only short-term traders and activists and their "wolf packs" who move in and out of a stock with a well-worn play book of destroying innovation, research and a company's long-term future. As studies show, these minority shareholders do not create value, but destroy value by taking pennies now instead of dimes in the future (the future value of innovation is albeit difficult for Wall Street to quantify) and creatively transferring value from workers and from society to their pocketbooks. There is an outstanding article on what's driving the destruction of the American capitalism brand. "The Error at the Heart of Corporate Leadership" appeared in the May-June 2017 issue of the Harvard Business Review and I urge you to read it. For the well-being of our nation, we need to get away from shareholder-driven capitalism and back to stakeholder-driven capitalism.

What we're trying to do at Just is provide a roadmap for company success which if widely adopted by American companies will lead to a better form of capitalism and a foundation via which the private sector earns the moral authority to lead.

The American people want to see companies serve more than only shareholders. They want US companies to serve the needs of all stakeholders. Most of all, they care about

how a company serves its employees and then its customers. After that, they want companies to produce high-quality products useful to society, protect the environment, create jobs, contribute to communities, and finally provide ethical leadership and shareholder return.

What is truly remarkable is the shared belief between not only Democrats and Republicans in viewing how a company treats its workers as the most important criteria of “just” behavior, with 25% listing this as the single most important issue, but the same percentage of people choose this as the #1 issue for defining corporate behavior regardless of race, age, income, education, or gender. I can’t recall ever seeing any issue on any subject with such consistent strength of support across so many demographic categories of the American public.

If you dig a level deeper about what treating workers well means, the Just data shows deep unity among Republicans, Democrats and Independents across worker issues with each group prioritizing benefits, wages, a safe workplace, non-discrimination in pay, equal opportunity and training. If American companies focusing on the well-being of its workers is not a shared value and a potential force for unity in our country, I don’t know what can be.

Just Capital ranks 900 of America’s largest 1000 public companies from the Russell 1000 index, overall and by industry, by how “Just” they are from hard data and facts, weighted in importance by the priorities of the American people previously mentioned. We analyze over 120,000 data points from company filings and third-party vendors. For example, one of the data sources for worker satisfaction is Glassdoor.

The top 100, what we call the Just 100, compared to the rest of the Russell 1000 pay 33% higher median salaries, face 74% fewer employment discrimination cases, emit 72% fewer greenhouse gas emissions, give 4 times

more to charitable causes, and earn an 8% higher return on equity.

As mentioned, the most “Just” companies have employee-and customer-centric cultures. On the employee side, the JUST research shows that companies that promote work-life balance, provide career development opportunities and commit to anti-discrimination produce statistically higher shareholder returns. I recommend you go to the [justcapital.com](http://justcapital.com) website to learn about the rankings and to access interesting articles and analysis, like the article by Dottie Jones Hernando Cortina which found that companies in the top 50% of promoting work-life balance had a return on equity (ROE) of 19.2% vs 14.8% for the bottom half, those in the top half of providing career-development opportunities an ROE of 19.4% vs 14.5% for the bottom half, and those in the top half of committing to anti-discrimination an ROE of 21% vs 14% for the bottom half.

Doing good is good business, but I believe Just Capital shining a bright light on corporate behavior will further increase the superior performance delta between the top half and the bottom half as consumers and investors vote with their wallets, and employees vote with their feet. An ETF has been launched based on the Just rankings. It was the most successful, or most subscribed-to launch of an ESG ETF in history. Since its inception in November 2016, the Just ETF has outperformed the Russell 1000 Index by 4.3 percentage points. In addition, Just companies are less risky investments with 18–22% less volatility and 6% lower beta. When I was a student here, if you didn’t think higher return with lower risk was the right investment choice, you flunked finance. And, 83% of these better returns are driven by alpha, not other investment factors.

It may surprise you, but today the American people want to see their corporate leaders take a stand on what historically would not have

been acceptable, social issues. They recognize the unique leadership role CEO’s can provide. 63% of Americans believe CEOs should take a stand on social issues, and almost half of these believe they should do so no matter what the issue, whether it has something to do with their company or not.

As Just’s rankings become more visible and known, we believe that doing good will be even better business moving forward. In addition to who they’ll invest in, the vast majority of respondents said they’d pay more for a product from a Just company, and take less pay to work for a Just company. Our goal is to provide the “CR for CR”, the Consumer Reports for Corporate Responsibility. We want to provide the American people with the information they say they want and will act on. Just companies have historically outperformed less-Just companies, and we hope by providing this information, the delta, or alpha—pick your Greek letter, will grow between the more just and the less just. Focusing on the short term and succumbing to a subset of vocal shareholders who have no responsibility or accountability has been a losing strategy, and will become even more-so going forward.

In conclusion, culture is the human embodiment of a company’s brand. It’s a shared language, glue, a way to get things done, and a great unifier. What has always made “America great” is that this is the most diverse and free country on earth, bound together by the shared values and principles of our Constitution. Capitalism, or economic freedom, is the perfect match for democracy, or political freedom. Freedom of thought and expression is the fuel that ignites creativity and innovation, which needs the free flow of and nourishment from invested capital, which is the driver of America’s competitive advantage in the innovation-driven global economy. Regulation hurts American competitiveness and job creation. Regulation is the

penalty our economy pays for capitalism not serving all stakeholders.

We need a “united” United States again. Our political leaders on both sides have shown they’re more interested defeating the other side than they are in governing and accomplishing. Acrimony has replaced

collegiality. It’s time our most Just corporate leaders, skilled culture builders, begin to bring us back together by focusing on the well-being of all stakeholders, but especially our workers. America’s culture, our shared values, which cross political party, age, gender, education and

income lines, are evident. The foundation of our collective economic and moral purpose is stakeholder-driven, not shareholder-driven capitalism. Just corporate leadership can be the force for national unity our country is searching for. Thank you.

## AFTER CHARLOTTESVILLE

*Looking to the future as you are doing, searching for solutions as you are doing, I believe that the place to begin is where we began more than two centuries ago, and to once again take up America’s historic challenge: to make “a more perfect union;” to make of many, one; to pledge—and pursue—our allegiance to “one nation, indivisible, with liberty and justice for all.”*

Address by JOHN C. DANFORTH,  
Former Republican U.S. Senator, Missouri



Delivered at Washington University,  
St. Louis, Nov. 29, 2018

The impetus of this meeting is last year’s Charlottesville riot where three people died and many more were injured. In the same year, the number of hate crimes in America rose 17 percent. There is plenty of hate and violence to lament, but to your credit you are not satisfied with dwelling on the past. You are looking to the future, searching for solutions, hoping that the horror of Charlottesville will not visit your communities.

As you look to the future, I’m going to suggest that you do so in light of America’s historic challenge. Our challenge always has been to hold together in one nation a diverse and often contentious people. That remains our mission today at a point in our history when America and its communities are falling apart. In these remarks, I’m going to offer some thoughts on how in our time we can meet our challenge and what we can do to hold ourselves together.

Holding this diverse nation together always will be a work in progress. We can never be content that we have completed the task; we can always hope to move ahead. Unity is an aspiration so broadly shared that it is part of the American Creed. We aspire to be “a perfect union.” We stand together, hands over our hearts, and pledge our allegiance to “one nation

indivisible.” We have a motto, “*E pluribus unum.*” We are from many and we are one. A united country. That is how we see ourselves. That’s the America we want to be.

But in several ways, as I have already noted, our one indivisible nation is coming apart. This isn’t an original observation. Many have commented on it. All of you know it to be so.

For one thing, over the last half-century we have increasingly become an assortment of separated individuals, detached from the communities that have held us together. We have lost what academics call “social capital.” David Brooks has called this “the atomization of society.” You know this from your own experience. What you see in restaurants is people looking at their iPhones, not talking to each other.

We hoped that modern communication and transportation would help create community, but they have done the opposite. We have become more isolated. We sit alone in front of our computers. We sit alone behind the wheels of our cars. The title of Robert Putnam’s famous book describes present day America. Instead of belonging to bowling leagues, we go Bowling Alone. We have come a long way from the 19th century America Alexis de Tocqueville lauded as a nation of

joiners bound together in networks of community organizations.

We have lost our tolerance for people who are not just like us. If we don’t agree with them, we dismiss them, or we attack them. After the 2016 presidential election, 33 percent of college students blocked or unfriended on social media people who voted the other way. Students exercise the hecklers’ veto over unpopular speakers.

There is a word that’s recently gained a lot of currency: tribal. You see it all the time. Amy Chua has written a book called Political Tribes. Here in a nutshell is her point.

Everyone in America today feels threatened. African-Americans fear that their children will be shot by police. Mexicans are threatened with deportation. Muslims are told their religion should be barred from the country. Women are abused by workplace predators. Poor whites feel left behind in a country that calls them “trash.” Religious conservatives are threatened by popular culture. Amy Chua notes that when people feel threatened, they retreat into tribalism. They identify passionately with their group, and they see others as the enemy.

The Charlottesville riot was the result of tribalism in its most virulent form. An assortment of neo-Nazis and white supremacists carried swastikas