

# KEY THEMES SUMMARY



## Yale SCHOOL OF MANAGEMENT CEO CAUCUS

### CEOs, Statecraft and Strategic Focus: Business Priorities for Global Stability and National Harmony

Washington, DC | September 14, 2022

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*Chief Executive Leadership Institute*



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**Jeffrey A. Sonnenfeld**, Senior Associate Dean for Leadership Studies, Yale School of Management

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## PRESENTATION

**Carla A. Hills**, US Trade Representative (1989-1993); 5<sup>th</sup> US Secretary of Housing and Urban Development

**Judge J. Michael Luttig**, Retired EVP, Counselor & Senior Advisor, The Boeing Company

## Restoring National Harmony through Enterprise

**Richard Blumenthal**, US Senator, State of Connecticut

**Jeh C. Johnson**, 4<sup>th</sup> US Secretary of Homeland Security

**J. Michael Luttig**, Retired EVP, Counselor & Senior Advisor, The Boeing Company

**Olivia Troye**, Homeland Security and Counterterrorism Advisor

**Lynn J. Good**, Chair, President & CEO, Duke Energy Corporation

**Elaine L. Chao**, 18<sup>th</sup> US Secretary of Transportation; 24<sup>th</sup> US Secretary of Labor

**Ralph E. Reed Jr.**, Chairman & CEO, Century Strategies

**Matt Kaminski**, Editor-In-Chief, Politico

**Alan J. Patricof**, Co-Founder & Chairman Emeritus, Greycroft Partners

**Jeffrey M. Solomon**, Chair & CEO, Cowen Inc.

**Mark D. Ein**, Founder & CEO, Capitol Investment Corp V

**David McCormick**, Former Chief Executive Officer, Bridgewater Associates

**Zachary M. Oleksiuk**, Managing Director, Evercore

**Farooq Kathwari**, Chairman, President & CEO, Ethan Allen

**Adam M. Aron**, Chairman & CEO, AMC Entertainment

**Tom Rogers**, Executive Chairman, Engine Media

**Joel Babbitt**, Chief Executive Officer, Narrative Content Group

**Dan Webber**, President, Edelman Washington DC

**Peter A. McGrath**, Co-Founder & CEO, Coriendo

**Gordon Crovitz**, Co-Chief Executive Officer, NewsGuard Technologies

**Richard H. Pildes**, Professor of Constitutional Law, New York University

**Greg Fischer**, Mayor, Louisville, Kentucky

**Hanseul Kang**, Executive Director, The Broad Center, Yale School of Management

**Barbara Comstock**, Member of Congress (2015-2019), Commonwealth of Virginia

## Legend in Leadership Award:

**Darius Adamczyk**, Chair & CEO, Honeywell International

## PRESENTATION

**Lynn J. Good**, Chair, President & CEO, Duke Energy Corporation

**Doug Parker**, Chairman, American Airlines Group



## Global Stability in Sourcing, Supply Logistics, and Market Reach

### OPENING REMARKS

**Ben Harris**, Assistant Secretary for Economic Policy, US Department of the Treasury

**Ashton B. Carter**, 25<sup>th</sup> US Secretary of Defense

**Darius Adamczyk**, Chairman & CEO, Honeywell International

**James R. Clapper**, 4<sup>th</sup> Director, National Intelligence

**Dina Powell McCormick**, Global Head, Sovereign Business, Goldman Sachs

**Oleksandr Grihan**, Deputy Minister of Economy, Ukraine

**Tymofiy Mylovanov**, President, Kyiv School of Economics

**Angela E. Stent**, School of Foreign Service, Georgetown University

**Robert D. Hormats**, US Under Secretary of State (2009-2013)

**Carla A. Hills**, US Trade Representative (1989-1993); 5<sup>th</sup> US Secretary of Housing & Urban Development

**Doug Parker**, Chairman & CEO, American Airlines Group

**Krishnan Rajagopalan**, President & CEO, Heidrick & Struggles International

**Harold L. Yoh III**, Chair & CEO, Day & Zimmermann

**Sara Armbruster**, President & CEO, Steelcase

**Nicholas T. Pinchuk**, Chairman & CEO, Snap-on Incorporated

**Robert B. Simonds**, Founder & Chairman, STX Entertainment

**David J. Shulkin**, 9<sup>th</sup> Secretary, US Department of Veterans Affairs

**Christopher Shays**, Member of Congress (1987-2009), State of Connecticut

**Sarah Williamson**, Chief Executive Officer, FCLT Global

**Jing Tsu**, Professor of East Asian Languages, Yale University; Author, *Kingdom of Characters*

**Mark J. Penn**, Chairman & CEO, Stagwell

**Eddie Tam**, Chief Executive Officer, Central Asset Investments

**D. Quinn Mills**, Professor Emeritus, Harvard Business School

## Cultivating Our Own Garden - *The Rise of the Rest: How Entrepreneurs in Surprising Places are Building the New American Dream*

**Steve Case**, Founder & Former CEO, America Online; Founder, Chair & CEO, Revolution



## CEOs, Statecraft and Strategic Focus: Business Priorities for Global Stability and National Harmony

On September 14, 2022, the Yale Chief Executive Leadership Institute held its Fall 2022 CEO Caucus in Washington DC. Yale School of Management Professor Jeffrey Sonnenfeld led a discussion among CEOs, policymakers, and thought leaders about restoring national harmony and global stability.

The Maverick in Leadership Award was presented to Representative Liz Cheney and the Legend in Leadership Award was presented to Darius Adamczyk, Chair & CEO of Honeywell International.



Jeffrey A. Sonnenfeld, Senior Associate Dean for Leadership Studies, Yale School of Management

### MAVERICK IN LEADERSHIP AWARD

#### Liz Cheney, United States Representative, State of Wyoming

Carla A. Hills, US Trade Representative (1989-1993) and 5<sup>th</sup> US Secretary of Housing and Urban Development, and Judge J. Michael Luttig, Retired EVP, Counselor & Senior Advisor, The Boeing Company, presented Liz Cheney, United States Representative, State of Wyoming, with the Maverick in Leadership Award.



Secretary Carla A. Hills and Judge J. Michael Luttig present Representative Liz Cheney with the Maverick in Leadership Award

Secretary Hills summarized Representative Cheney's illustrious background—as an attorney, at the State Department, and as a member and leader in the US House of Representatives. Secretary Hills saluted Ms. Cheney's courage and leadership as Vice Chair of the House Select Committee to investigate the January 6<sup>th</sup> riots.

Judge Luttig saluted Ms. Cheney for standing, affirming, and bearing witness for what she believes about America—even at great personal sacrifice and cost. Because of her principled actions, Ms. Cheney is an American hero.

In receiving this award, Ms. Cheney said it is sad we have reached a moment where a person performing their simple duty as an American is seen as a hero. She asked everyone to think hard about the basic duties and obligations of being an American citizen. She urged everyone to watch her



Representative Liz Cheney

committee's hearings, where numerous Republicans who served at the highest levels of the Trump Administration and the Trump campaign have testified under oath that they told President Trump the election was not stolen. They told him there was not fraud to overturn the election. They repeatedly told him his claims were false. Mr. Trump knew this when he incited an armed mob to march on the Capitol, in an attempt to use violence to steal an election and stay in power.

Ms. Cheney warned that democracy is fragile and that we take it for granted. Preserving democracy requires not allowing a leader to abandon their oath of office and use violence to steal an election. It requires courage to speak up. Preserving our democracy requires saying, "This is not acceptable," while also stepping back from the brink and engaging in more civilized political discourse.





## There are tangible actions that can be taken to restore national harmony.

Both political and business leaders, including leaders who previously supported President Trump and/or policies supported by the Trump Administration, offered practical, actionable ideas for restoring national harmony.

- **Move on from Trump.** Several Republicans, who complimented certain policies from the Trump Administration, believe it is in the country's best interest to move on from Trump. As Liz Cheney said, "We cannot be a nation . . . when people think it's all right, it's acceptable to choose someone who has abandoned their oath of office simply because you liked his policies." A former Republican member of Congress said the focus needs to be on moving forward and "turning the page" because failing to do so is holding the party and the country back.



Barbara Comstock, Member of Congress (2015-2019), Commonwealth of Virginia

- **Pass bilateral legislation.** Senator Richard Blumenthal said that "Congress has spoken with one voice" as the Senate voted unanimously to designate Russia a state sponsor of terrorism. There was also bipartisan support for the PACT Act, which provides assistance to veterans. These efforts show that politicians can work together.



Richard Blumenthal, US Senator, State of Connecticut

- **Concede lost elections.** A former Congressman recounted advice he was given early in his political career. He was told, "If you win, you want to be an enlightened leader. If you lose, your obligation is to concede and tell your supporters to recognize the legitimacy of the person who beat you . . . that is the strength of democracy, the acceptance of a loser to acknowledge that he or she lost."

David McCormick displayed this behavior when he narrowly lost the Pennsylvania Republican primary for Senate. Contrary to the advice of some, McCormick analyzed the situation, concluded there was no way he would win a recount, and decided to gracefully concede.



David McCormick, Former Chief Executive Officer, Bridgewater Associates

- **Support centrism.** Pollster Mark Penn believes the idea that "the country is more divided than ever" is a myth. He described polling data showing that if Joe Biden were to again run for President against Donald Trump, there is such low support for both Biden and Trump that an astounding 60% of the country said they would vote for a moderate, centrist, independent candidate. This is the highest number that Penn has ever seen and shows there is a centrist, independent streak going unfulfilled. The strong desire for a centrist candidate shows that the polarization of the country is less than many people believe.
- **Focus at the state level.** One participant sees a place where business leaders can make a difference: focusing on state-level elections. There are three state legislatures — Arizona, Michigan, and Pennsylvania — where it may be possible to flip the legislator by defeating election deniers.
- **Build relationship with mutual respect.** Leaders with long backgrounds supporting the Republican party and the Democratic party agreed that a key to restoring mutual harmony is to build personal relationships, talk with others who have opposing views, and have mutual respect. Relationships with mutual respect "take the edge off of differences."



Jeh C. Johnson, 4th US Secretary of Homeland Security



However, one participant remarked that President Biden's recent speech where he termed some who disagree with him as extremists, fascists, and a threat to democracy is not helpful, doesn't show mutual respect, and is not bringing people together as he vowed to do.



Ralph E. Reed Jr., Chairman & CEO, Century Strategies, and Gordon Crovitz, Co-Chief Executive Officer, NewsGuard Technologies

- **Use one's voice.** While business leaders can't comment on every social or political issue, there are situations that merit using one's voice. One example is the use of talking points developed during a virtual meeting convened by Jeff Sonnenfeld following the November 2020 election. The talking points that were developed recognized the large election turnout, due in part to support from corporations; acknowledged who won; congratulated the winner; said that any election disputes should be taken to the courts, with evidence; and called for a transparent and speedy transfer of power. These talking points were adopted by many others.

Multiple CEOs said it can be difficult to decide when to use one's voice and take a stand. One CEO said, "We have to speak up on issues because the people who work for us need to be spoken for."



Doug Parker, Chairman, American Airlines Group, and Harold L. Yoh III, Chair & CEO, Day & Zimmermann

- **Better monitor social media.** Gordon Crovitz, co-founder and co-CEO of NewsGuard, said that due to programmatic placement of social media ads, most companies unknowingly run ads on and therefore provide funding to websites with misinformation. He called on CEOs to have their organizations look into where their social media ads run to prevent funding misinformation.

## LEGEND IN LEADERSHIP AWARD

### Darius Adamczyk, Chair & CEO, Honeywell International

Lynn J. Good, Chair, President & CEO, Duke Energy Corporation, and Doug Parker, Chairman, American Airlines Group, presented Darius Adamczyk, Chair & CEO, Honeywell International, with the Legend in Leadership Award.

Lynn Good celebrated Darius Adamczyk for his incredible leadership during the pandemic, where he focused Honeywell resources on critical solutions, including masks and vials. He has also pivoted Honeywell to focus on climate and sustainability, with solutions in areas such as building automation and battery technology. In addition, he moved the company to Charlotte and in a short time has shown leadership in the community by, among other things, supporting small businesses.

Doug Parker characterized Darius as a leader who is smart, strategic, innovative, and principled.



Lynn J. Good and Doug Parker present Darius Adamczyk with the Legend in Leadership Award

In accepting this award, Darius described his journey in coming to America at age 11, not speaking any English. He is a big believer in the American dream, where it is possible to accomplish anything.

He said that when he became CEO, Honeywell was not broken; the company was performing well and he was following the footsteps of a legendary leader. Still, he saw opportunities to drive growth and better position the company for the future by focusing on digitization and sustainability.

## The decision of 1,100 companies to exit Russia is crippling Russia's economy.

As Senator Blumenthal said, "The withdrawal of 1,100 multinational corporations from doing business in Russia has been seismic." For many companies, the decision was relatively straightforward because the Russian market represents less than 1% of revenue. But CEOs describe the decision as about more than just revenue; it is about values. As one CEO whose company exited Russia said, "It doesn't take a leap to make a decision that this is not a place where we want to do business."





## Price caps on Russian energy can make a further difference.

Putin has to sell energy because it generates 60% of the Russian government's revenue, which is necessary to support the Russian economy and the war in Ukraine. Russia is so desperate to keep selling oil that it has given China and India a \$35 per barrel discount, which means Russia is making a paltry margin.

One policy developed by the Biden Administration is price caps on oil. Ben Harris, Assistant Secretary for Economic Policy at the US Department of the Treasury, said there are three important things to know about price caps:

1. The Treasury Department sees rising energy prices as one of the biggest macroeconomic risks not just for the US and Europe, but for low- and middle-income countries around the world.
2. Russia has been making money hand over fist from the brutal war in Ukraine and has profited from elevated energy prices, which has helped finance the war.
3. Europe has passed a plan with a six-sanction package that includes: a) on December 5, 2022, Europe will ban seaborne imports of Russian oil, which is a big deal, but even bigger is; b) these sanctions ban European services in the trade of Russian oil; and c) on February 5, 2023, is a ban on finished products. After that time, no Western company can participate in the trade of Russian oil. This affects shipping companies, insurance companies, and all related companies.

Completely shutting down Russia's ability to trade oil might seem like a good thing, were it not for the current tightness of the oil markets. That has led the Treasury Department to adopt the following objectives: 1) keep Russian oil flowing on the market; and 2) only allow it to flow at a depressed price. This provides access to Russian oil, which prevents a spike in energy prices, while not providing Russia with a risk premium and elevated energy prices to fund its war.

So, contrary to typical sanctions which restrict activity, in this instance the US government is saying to the private sector, "Please facilitate activity, but only under these conditions, and the condition is price."



Ben Harris, Assistant Secretary for Economic Policy, US Department of the Treasury, and Tymofiy Mylovanov, President, Kyiv School of Economics

Representatives from Ukraine believe it is a scandal that Russia continues to generate revenue from energy. They called on European governments to decrease their dependence on Russian energy. They also emphasized that Ukraine will definitely win the war against Russia, but strong and continuing support from the United States and other countries is needed.

## While China is cooperating with Russia right now, their longer-term relationship is unclear.

Currently, China continues to purchase Russian oil—to the frustration of Ukraine and the West. However, one China expert commented that China is not a friend of Russia and doesn't trust Russia. China is taking advantage of discounted oil but doesn't want to be too dependent on Russia. Another foreign policy expert said Russia and China are both driven by a strong, even rabid, anti-American approach.

Still, those with deep knowledge of both Russia and China see major differences and future uncertainty. A former ambassador said, "I think we are over-emphasizing the current détente between Beijing and Moscow. These are great, large powers, which have been historical foes, literally for most of their existence." It was this person's view that "China is coming for Russia's lunch at some point in the future."

Two China experts said that while Russia has been an aggressive country, starting multiple wars in the past several decades, China became a superpower peacefully, without military aggression (though others commented that China has exerted power in other ways). It was pointed out that China's leaders feel indignant about constantly being attacked and demonized by the West, and as a result may be overreacting to what they perceive to be unfair provocation.

Another foreign policy expert envisions a potential scenario where a ruler who comes after Putin reassesses, "Why do I really want to have such a bad relationship with the West and be a vassal for China?" This could lead to a closer relationship with the West to minimize dependence on China, which is currently Russia's only real friend.

There is more to the relationship between China and Russia than immediately meets the eye.



Jing Tsu, Professor of East Asian Languages, Yale University; Author, *Kingdom of Characters*, and Angela E. Stent, School of Foreign Service, Georgetown University

## The pandemic and regional conflicts are causing companies to rethink globalization and focus on more localized supply chains.

CEOs of global manufacturing companies said they are increasingly focused on making products in the markets where they sell. One CEO, whose company does business in 30 countries, said, "It's become clear that the value of global scale has diminished . . . the idea that you are going to be able to create scale across borders, by globalization, is more difficult." This is causing manufacturing companies to rethink their supply chains and focus on local markets.

Another CEO noted, "I think it's very, very important for businesses to control what they can," which means shifting away from far-flung global supply chains to more localized, tightly controlled supply chains.





### To spur broad innovation in the US, it is necessary to focus on “the rise of the rest.”

While not every new company wants or needs venture capital, most of the most successful companies that grow the fastest and that create the most value and the most jobs do raise venture capital. However, historically, allocation of venture capital has been highly concentrated. Over the past decade:

- 75% of VC has gone to just three states: California, New York, and Massachusetts; entrepreneurs in all of the other states are competing for the other 25%.
- Only 10% of VC has gone to female founders, even though women are 50% of the population.
- Black founders receive less than 1% of VC even though Black Americans represent 13% of the population.

Steve Case, founder of AOL and author of *The Rise of Rest*, said, “This is the most innovative, entrepreneurial nation in the world . . . but it’s not a level playing field and opportunity is not evenly dispersed.” While about 70% of Americans wake up every morning feeling anxious about the future, and frustrated that they’re being left behind and disrespected, entrepreneurs in places like Silicon Valley are disrupting industries and taking jobs away from many communities.

The idea of *The Rise of the Rest* is to provide venture capital and support to entrepreneurs throughout the country. This is a nonpartisan issue that is focused on innovation, economic growth, and job creation. By focusing on entrepreneurs across the country, Mr. Case has led investments in 175 companies across some 80 cities.



Steve Case, Founder & Former CEO, America Online; Founder, Chair & CEO, Revolution

### Closing Thought

To those who wonder if the glass is half empty or half full, you’ve missed the point. The glass is REFILLABLE. Instead of arguing over things that are divisive, find opportunities.

