EXECUTIVE SUMMARY

The American Colossus:
The Best of Times and the Worst of Times?

The Yale Club of New York City & The New York Public Library | June 12 - 13, 2018

LEADERSHIP PARTNERS

Yale SCHOOL OF MANAGEMENT
CEO SUMMIT

Yale SCHOOL OF MANAGEMENT
Chief Executive Leadership Institute
Agenda

Welcome & Overview

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

Shining Lamp by the Golden Door: Opportunity and Obstacle

OPENING REMARKS

Joanne Lipman, Former Editor, USA TODAY; Author, That’s What She Said
James Fallows, National Correspondent, The Atlantic; Author, Our Towns

COMMENTS

Jeffrey D. Sachs, Director, Center for Sustainable Development, Columbia University
Adam F. Falk, President, Alfred P. Sloan Foundation
Farooq Kathwari, Chairman, President & CEO, Ethan Allen
Manuel Dorantes, Strategic Advisor, Vatican Secretariat for Communication
Caryl M. Stern, President & CEO, UNICEF US
Toni Harp, Mayor, New Haven, Connecticut
Tom Tait, Mayor, Anaheim, California
Greg Fischer, Mayor, Louisville, Kentucky
Nasser J. Kazeminy, Founder & Chairman, NJK Holding Corporation; Chairman, Ellis Island Foundation
Stephen K. Benjamin, Mayor, Columbia, South Carolina
Michael A. Leven, Retired President, Las Vegas Sands; Chair & CEO, Georgia Aquarium
Brian Gallagher, President & CEO, United Way Worldwide
Shining a Light Abroad: Deep Thoughts on the Deep State at Home

OPENING REMARKS

James R. Clapper, 4th Director, U.S. National Intelligence; Author, Facts and Fears

COMMENTS

Kevin Rudd, President, Asia Society Policy Institute; 26th Prime Minister of Australia
Steven Brill, Co-CEO, NewsGuard Technologies; Author, Tailspin
John D. Negroponte, Deputy Secretary (2007-2009), U.S. Department of State
Dan Raviv, Senior Washington Correspondent, 124News
Brian A. Nichols, Ambassador to Peru (2014-2017), U.S. Department of State
Douglas H. Ginsburg, Senior Judge, DC Circuit, U.S. Court of Appeals
Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State
Maurice R. Greenberg, Chairman & CEO, CV Starr & Co.
Eddie Tam, Chief Executive Officer, Central Asset Investments
Anthony Scaramucci, Former Director of Communications, The White House
Stefan M. Selig, Under Secretary (2014-2016), U.S. Department of Commerce
Grover Norquist, President, Americans for Tax Reform
Mark Penn, President, The Stagwell Group; Former Top Clinton Campaign Strategist
Ralph E. Reed Jr., Chairman & CEO, Century Strategies; Founder, Christian Coalition
Beth Van Duyne, Mayor (2011-2017), Irving, Texas; SW Region Administrator, U.S. Department of HUD
Christopher K. Johnson, Former Senior China Analyst, CIA; Senior Advisor, CSIS
Lally Graham Weymouth, Senior Associate Editor, The Washington Post
Philip Lader, Ambassador to the UK (1997-2001), U.S. Department of State
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
John F. Lundgren, Retired Chairman & CEO, Stanley Black & Decker
Raymond V. Gilmartin, Former Chairman, President & CEO, Merck & Co.
Richard J. Berry, Mayor (2009-2017), Albuquerque, New Mexico
Luke A. Bronin, Mayor, Hartford, Connecticut
Byron W. Brown, Mayor, Buffalo, New York
Bill Peduto, Mayor, Pittsburgh, Pennsylvania
Joe Straus, Speaker, Texas House of Representatives
Jing Tsu, Chair, Council on East Asian Studies, Yale University
Asha Rangappa, Former Special Agent, Counterintelligence, FBI
Edward J. Mathias, Managing Director, The Carlyle Group
Judith A. Chevalier, Professor of Finance & Economics, Yale School of Management
Quinn Mills, Professor Emeritus, Harvard Business School
Marshall W. Meyer, Professor Emeritus, Wharton; Senior Advisor, Haier Group
Robert V. Stefanowski, Former CEO, DFC Global Corp
Shining Light on Free Markets: Allies, Adversaries, and Activists

OPENING REMARKS

John Carreyrou, Investigative Reporter, The Wall Street Journal; Author, Bad Blood
Scott Wapner, Host, Halftime Report, CNBC; Author, When the Wolves Bite
Stephen A. Schwarzman, Chairman & CEO, Blackstone
Lloyd C. Blankfein, Chairman & CEO, Goldman Sachs
David M. Rubenstein, Co-Founder & Co-Executive Chairman, The Carlyle Group
Brian T. Moynihan, Chairman & CEO, Bank of America
James S. Chanos, Founder & Managing Partner, Kynikos Associates

COMMENTS

Paul E. Jacobs, Former Chairman & CEO, Qualcomm
Lynn Tilton, Chief Executive Officer, Patriarch Partners
Rich McCardle, President, Freight, UPS
Courtland L. Reichman, Managing Principal, McKool Smith
Gary P. Naftalis, Partner & Firm Co-Chair, Kramer Levin Naftalis & Frankel
Andrew Ross Sorkin, Editor, DealBook, The New York Times; Co-Anchor, CNBC
Catherine M. Keating, President & CEO, Commonfund
Bob Diamond, Chief Executive Officer, Atlas Merchant Capital
Jeffrey M. Solomon, Chief Executive Officer, Cowen
Tamara L. Lundgren, President & CEO, Schnitzer Steel Industries
Michael F. Holland, Chairman, Holland & Company
James F. McCann, Chair, Willis Towers Watson; Chair, 1-8oo-FLOWERS.COM
Adam Norwitt, President & CEO, Amphenol Corporation
Brad Katsuyama, Co-Founder & CEO, IEX
Joseph Lubin, Founder, ConsenSys Systems; Co-Founder, Ethereum
Steven Lipin, Founder, Chairman & CEO, Gladstone Place Partners
Frederick Frank, Chairman, Evolution Life Science Partners
Thomas Glocer, Managing Partner, Angelic Ventures; Former CEO, Thomson Reuters
Lu Córdova, Past Director, Kansas City Federal Reserve; Chair & CEO, Techstars Foundation
Alan B. Colberg, President & CEO, Assurant
Sean J. Egan, Managing Director, Egan-Jones Ratings Co.
David H. Baris, President, American Association of Bank Directors
Bruce Batkin, Chief Executive Officer, Terra Capital Partners
Edward C. Forst, Chief Executive Officer, RealtyShares
Dennis Gartman, Editor/Publisher, The Gartman Letter
George R. Hornig, Managing Member, George Hornig LLC
Ronald E. Stewart, President & CEO, PRGX USA
Norman J. Bartczak, Professor, Columbia Business School
OPENING REMARKS

Indra K. Nooyi, Chairman & CEO, PepsiCo
Ivan Seidenberg, Retd. Chair & CEO, Verizon, Author, Verizon Untethered
Doug Parker, Chairman & CEO, American Airlines Group

COMMENTS

Nigel Travis, Chairman & CEO, Dunkin’ Brands
Stuart Miller, Executive Chairman, Lennar Corporation
Bridget van Kralingen, SVP, Global Industries, Platforms and Blockchain, IBM
Daniel H. Weiss, President & CEO, The Metropolitan Museum of Art
Myron E. Ullman III, Retired Chairman & CEO, JCPenney Company; Chairman, Starbucks Corporation
Valerie B. Palmieri, President & CEO, Vermillion
Kip Tindell, Co-Founder & Chairman, The Container Store
James D. Taiclet Jr., Chairman, President & CEO, American Tower Corporation
Alan J. Patricof, Managing Director, Greyrock Partners
Joel Babbit, Chief Executive Officer, Narrative Content Group
Jack D. Hidary, Chairman, Samba Energy
Robert B. Simonds, Chairman & CEO, STX Entertainment
Kay Koplovitz, Founder, USA Networks; Managing Partner, Springboard Growth Capital
David J. Stern, Commissioner Emeritus, National Basketball Association
Nikhil Deogun, Editor-in-Chief & Senior Vice President, Business News, CNBC
Joseph Lhota, SVP, NYU Langone Medical Center; Chairman & CEO, MTA
Jonathan Mariner, Retired Executive Vice President & CFO, Major League Baseball
Stephen F. DeAngelis, President & CEO, Enterra Solutions
Marc Rotenberg, President, Electronic Privacy Information Center
Sanford R. Climan, President, Entertainment Media Ventures
Mark D. Ein, Founder & CEO, Venturehouse Group
Melanie Kusin, Vice Chairman, Korn Ferry
Geoff Colvin, Editor & Columnist, FORTUNE
Barry Nalebuff, Professor, Yale School of Management
Howard A. Tullman, Chief Executive Officer, 1871
Anthony W. Marx, President & CEO, The New York Public Library
Elisabeth DeMarse, Former Chairman, President & CEO, TheStreet, Inc.
Seth Feuerstein, Former Chief Medical Officer, Magellan Healthcare
Benn R. Konoski, Professor, Goizueta Business School, Emory University
Stacy J. Kenworthy, Chief Executive Officer, HellaStorm
Andrew McConnell, Chief Executive Officer, Rented.com
Murray Wright, President & CEO, TESSCO Technologies
Lifetime of Leadership Award: Farooq Kathwari, Chairman, President & CEO, Ethan Allen

PRESENTATION
Nasser J. Kazeminy, Founder & Chairman, NJK Holding Corporation; Chairman, Ellis Island Foundation
Myron E. Ullman III, Retired Chairman & CEO, JCPenney Company; Chairman, Starbucks Corporation

Maverick in Leadership Award: Stuart A. Weitzman, Founder, Stuart Weitzman

PRESENTATION
Kay Koplovitz, Founder, USA Networks; Former Chair, Liz Claiborne; Managing Partner, Springboard Growth Capital
Kip Tindell, Co-Founder & Chairman, The Container Store

Legend in Leadership Award: Brian Moynihan, Chairman & CEO, Bank of America

PRESENTATION
David M. Rubenstein, Co-Founder & Co-Executive Chairman, The Carlyle Group
The American Colossus: The Best of Times and the Worst of Times?

The 94th Yale CEO Summit, led by Yale Professor Jeffrey Sonnenfeld, was held at the Yale Club of New York City and the New York Public Library on June 12 and 13, 2018. This Summit brought together CEOs and executives; current and former government officials; and leading academics, authors, and thought leaders.

Participants examined the theme of “The American Colossus: The Best of Times and the Worst of Times?” Topics discussed included whether America remains a beacon to the world, the impact of recent domestic and international events, disruptions in free markets, and the impact of technology in transforming businesses in all sectors.

The Lifetime of Leadership Award was presented to Farooq Kathwari, Chairman and CEO of Ethan Allen. The Maverick in Leadership Award was given to Stuart Weitzman, and the Legend in Leadership Award was bestowed upon Brian Moynihan, Chairman and CEO of Bank of America.

The bottom line is most businesses feel good about their bottom line.

There is much to worry about both domestically and internationally. Yet when looking past the noise, the U.S. economy continues to strengthen. GDP continues to rise, unemployment continues to fall, and the outlook of business leaders is generally optimistic. Passage of the tax plan was seen positively and about 80% of Summit participants agree with the court’s decision to let the AT&T/Time Warner merger proceed; about 80% expect that this decision will set off a frenzy of vertical mergers.

America remains a land of opportunity and a beacon to the world.

Under President Trump, America is not welcoming to immigrants. At the moment it is not easy or attractive to come to the United States, and for those able to come, the high cost of education is an enormous challenge. These factors have affected the international student market, which could have a negative long-term effect on America’s economy.

Even with these barriers, Summit participants still view the United States as a beacon of hope and opportunity. Compared to other countries, people in the United States are free, have the ability to vote to choose the country’s leaders, have access to outstanding educational opportunities, and continue to have tremendous economic opportunities.

“Today, it is much harder to enter the country but the U.S. is still the greatest country on earth. The U.S. is the beacon of hope. Sometimes we only see problems. But America is still the best place.”

However, America has not provided equal opportunity for all. While women represent more than 50% of U.S. college graduates, only about 5% of CEOs are women. There has been some progress, but there still is a long way to go in terms of gender equity and in increasing diversity.

There was agreement that greater diversity adds to the richness and success of companies and communities. There was also agreement that business leaders can—and must—make a difference in driving change.

There is much geopolitical uncertainty.

Several geopolitical topics were discussed including Russian tampering, North Korea, and rising trade tensions.

- **Russian tampering.** The intelligence community believes Russia tampered with and attempted to influence the U.S. presidential election. One former official expressed his opinion that Russia had a profound impact on the election. Other participants disagreed. They argued that based on the total spending on the election, Russian efforts didn’t make a difference.

While the impact on the election is not certain, several participants believe that President Trump’s continued criticism of the Department of Justice, the FBI, and the intelligence community is weakening these important institutions, which is not in America’s long-term interests.

- **Summit with North Korea.** While the summit between President Trump and Chairman Kim was seen as a step in the right direction, it was viewed as “more stagecraft than substance.” The summit was not seen as producing any big breakthrough. Trump strengthened North Korea’s hand by conferring credibility on Kim and agreeing to suspend joint exercises with South Korea without getting concessions in return. What matters most is what occurs over the next few months.

- **Trade tensions.** A former Trump advisor explained that Trump was elected due to economic desperation. This has led Trump to
Poor governance. Theranos represents an example of an epic failure of governance. The board—all white men—lacked venture capital and health care experience. They failed to engage in adequate due diligence and didn’t challenge the CEO. While private boards typically demonstrate better governance than public boards, it requires committed investors who roll up their sleeves and ask hard questions.

A different example is when investors make investments with the intent of having social impact while also producing a favorable return. Examples include investments in cities like Detroit, Baltimore, and Pittsburgh by leading financial institutions involving, respectively, JPMorgan Chase, Goldman Sachs, and Cowen.

In all industries, technology is changing everything.

Representatives from multiple industries described how technology is transforming their industry. This includes telecom, banking and financial services, restaurants, sports and entertainment, homebuilding, airlines, and more. Technology is personalizing the consumer experience, providing greater convenience, securing supply chains, and lowering costs. The major challenges that must be addressed are privacy and security.

Adopt populist messages and policies that appeal to his base. Others agreed with the diagnosis but disagreed with the solutions, such as tariffs on imports. (Even supporters of President Trump see tariffs as a mistake that are a tax on the American people.) The actions of the Trump administration are burning bridges with allies and hurt the ability to make progress on topics such as NAFTA.

America’s markets have imperfections, but markets can address societal challenges.

Issues that tarnish America’s markets include bad behavior by activists and poor board governance.

- **Activist investors.** Participants believe activist investors lead to short-termism and often engage in unfair campaigns against management. In addition, since 2010, activist funds have underperformed the S&P.

CEOs and financial industry veterans offered the following thoughts:

- **Treat activists with respect.** One CEO estimated that perhaps 80% of activists are open minded and willing to engage in a constructive dialog.

- **Explain the strategy to them.** Often activists don’t understand the vision, megatrends, or strategy of the company. When they do, they will often be supportive.

- **Be proactive.** Communicate the strategy to the board and shareholders before an activist shows up.
Shining Lamp by the Golden Door: Opportunity and Obstacle

Overview
America may have lost some of its luster, with rising views that the United States is not the welcoming or compassionate country that it once was. And other obstacles remain, such as a persistent gender gap and lack of equal compensation for minorities. Yet despite these obstacles, America remains a beacon of hope and a land of opportunity.

But several panelists reiterated that further progress must be made in closing gender and diversity gaps. It is the responsibility of business leaders to drive change.

An area where change is occurring is in America’s cities, where leaders are embracing cultures of kindness and compassion. Led by mayors, cities are engaging in problem solving and experimentation, and are planting the seeds of democracy at local levels.

Context
At the CEO Summit’s opening session, panelists confronted the question of whether America remains a land of opportunity, or if obstacles are overwhelming the opportunities.

Key Takeaways
Despite enormous divisions and obstacles, America remains a land of opportunity.

At the moment, several panelists don’t see America as a shining light. Comments included:
• America is not easy or welcoming. People who previously gained entry to the United States would no longer be allowed to come.
• When looking at the U.S. border, children are suffering
• Students are not flocking to the U.S. in the same numbers as in the past and the entire international student market has shifted.
• America continues to exhibit discrimination.
• Some American leaders have lost compassion.

Yet despite those obstacles—which no one disagreed with or glossed over—several panelists, including immigrants, continue to see America as the country with the greatest opportunities. People from around the world, including scientists, entrepreneurs, and teachers, still want to come to the United States because of the opportunities that are available. A great characteristic of America is that people have the ability to vote and to change their leaders.

“The U.S. is still the greatest country on earth. The U.S. is a beacon of hope.”

Participants cited the need for respectful dialog as the key to attempting to address these obstacles.

Major gender and diversity gaps still exist. Business leaders must drive change.

Joanne Lipman, author of That’s What She Said, whose target for her book is men, asserted that while progress has been made in the aftermath of #MeToo, there is still a very long way to go on gender. #MeToo focused on the worst sexual predators, but there are far more gender-related issues than that. There remains a gender gap, a pay gap, a promotion gap, and a general respect gap. For example, women make just 80% of what men make in the same positions, and currently while almost 60% of college graduates are women, only 5.2% of CEOs are women. There are also gaps with other under-represented groups.

It is important that business leaders recognize that companies are more successful when they have more diverse leadership. Diversity adds to a company’s richness. A successful female leader declared that women have great leadership skills, and all that women are looking for is parity in the market place.
Lipman called on those in attendance to lead the way in driving change. Particular strategies involve actively considering women when engaging in succession planning and having “brag buddies” who actively talk up women colleagues. A female mayor said that when women ascend to positions of power, they have a responsibility to use that power to help others.

Author James Fallows, who traveled the country experiencing American towns for his book *Our Towns*, sees a struggle for the future of the country playing out. He sees the worst of times at the national level and the best of times at the local level. He sees poison at the national level, but in local communities sees the seeds of democracy being planted. He sees mayors focused on solutions and practical experimentation.

A bright spot in America is the progress being made in cities.

While obstacles and dissension reign at the national level, the outlook for cities and towns is very different. Amid loud voices of hate and division, mayors described efforts to establish cultures of kindness and compassion, and not to waste limited resources having police inspect people's documents.

One mayor described a city as “a platform for human potential to flourish” and the head of a major foundation sees efforts to “create communities where everyone can thrive.”

"It is in the darkest time that the brightest lights shine."
Shining a Light Abroad: Deep Thoughts on the Deep State at Home

Overview
The majority of business and former government officials have significant concern about current U.S. foreign policy. The majority of CELI participants are skeptical about any meaningful results from President Trump’s summit with North Korean President Kim, and most business leaders oppose unilateral tariffs, despite the need to be firm in addressing issues with China. In general, CELI participants don’t agree with the Trump administration’s alienation of longstanding allies and the general attitude of going it alone.

Context
Participants looked at U.S. foreign policy and international relationships, and the longer-term implications of current actions.

Key Takeaways
The evidence that Russia attempted to interfere with U.S. elections is clear. But Russia’s impact is uncertain.

Representatives from the intelligence community believe the evidence is clear that Russia tampered with and attempted to influence the U.S. presidential election, and the expectation is that Russia will continue to attempt to interfere in U.S. elections. While the intelligence community has not made a call on whether Russia’s efforts had an impact on the election, the informed opinion of one former senior official is, “I believe Russians had a profound impact on the election.”

Other participants didn’t contest Russia’s interference, but disputed that these actions made any difference. Based on the total spending of the campaign and the massive grassroots activities, experienced political operatives from both parties don’t think Russia swung the election.

“To suggest that Russia’s piddling effort made a difference when $2.5 billion was spent on elections . . . I don’t think the Russians swung the election.”

The Summit with North Korea is viewed as a positive step, but what matters is what comes next.

After edging closer towards conflict with North Korea in the past year, the consensus of CELI participants is that a dialog with North Korea is a positive step that potentially reverses the troubling downhill trajectory. In response to why President Kim was motivated to speak with the United States at this time:
• 5% see the reason as Trump’s threats and saber rattling
• 11% attribute Kim’s actions to encouragement by China and President Xi
• 25% believe that long-term economic sanctions had taken a toll
• 60% believe there was another reason, with several participants believing that once North Korea had demonstrated nuclear capabilities, they gained credibility and had the leverage to enter into discussions

Only a minority of participants believe that anything tangible was accomplished at this summit. This minority believes that President Trump behaved appropriately, and that agreeing to suspend military exercises was an insignificant concession.

In contrast, the majority of attendees do not believe that President Trump should have heaped such praise on President Kim as he did, don’t believe that the summit represented any breakthrough, and believe that Trump gave away too much by suspending military exercises, while gaining no specific commitments from North Korea.
Most business leaders oppose the Trump administration’s trade policies.

Several participants believe the Administration’s focus on America’s bilateral trade deficit is not smart. The majority of business leaders see tariffs as a mistake and as a tax on the American people. This action has the potential to ignite a trade war, hurt relationships with allies, and prevent modernization of NAFTA. Many participants see potential for long-term damage to America’s standing, leadership position, and economy.

However, even among business leaders who don’t support tariffs, there were multiple arguments for why it is necessary to take aggressive actions towards China:

- China steals IP and supports its state-owned enterprises.
- China will buy from the United States, but wants to protect key industries.
- China has continually engaged in unfair trade practices, such as dumping steel. While it is possible to file trade actions, this process takes years. Tariffs are not an ideal solution, but they increase the focus on China’s unfair practices.
- Many U.S. businesses are frustrated by China’s lack of movement and progress over time and are open to the idea of throwing a hand grenade to get China’s attention. One business leader with extensive experience in China said that President Xi will make a speech about opening markets, but nothing happens due to China’s bureaucracy.
- U.S. manufacturing companies have been at a disadvantage against countries that subsidize manufacturing. Again, while unilateral tariffs are not necessarily the preferred strategy, manufacturers don’t mind seeing the U.S. push back against China.

A supporter of President Trump raised an idea which Trump has proposed of completely eliminating tariffs. However, one participant responded that non-tariff barriers are actually bigger barriers to trade than tariffs. TPP and NAFTA seek to reduce non-tariff barriers, yet Trump has pulled the U.S. out of TPP and is threatening to walk away from NAFTA.
Several other foreign policy actions are confusing allies and benefitting adversaries.

In addition to disagreeing with Trump’s behavior at the summit with North Korea and opposing the imposition of tariffs, many CELI participants are also troubled by other aspects of the Trump administration’s foreign policy. Areas of concern and disagreement with the administration include:

• Trump’s behavior towards allies at the recent C-7 meeting in Quebec. One former state department official termed this a “debacle” that weakens America’s position with allies.

• Trump’s withdrawal from and trashing of the agreement with Iran. This was a detailed agreement, and Iran was complying. Trashing this agreement will make it more difficult to reach and implement a detailed agreement with North Korea.

• Withdrawing from the Paris Climate Agreement and from TPP, which isolate and weaken the United States.

Under the Trump administration this U.S. is going it alone, is alienating allies, and is acting as if the U.S. doesn’t need allies. But experienced business leaders and government officials believe that isolation and alienation are the wrong courses of action.

“Previously, there hasn’t been daylight between the U.S. and allies. Now there is. . . . We need allies. Alienating allies is the wrong course of action.”
Shining Light on Free Markets
Allies, Adversaries, and Activists

Overview
America’s economy is performing well, even with trade policies such as tariffs that most business leaders see as a mistake. CELI participants agree with the outcome of the AT&T/Time Warner court decision and expect it to lead to a merger frenzy.

Yet, while America’s free markets are celebrated and, among other things, provide the ability of cities to attract investment for rejuvenation, there remain imperfections. These market imperfections include poorly behaving activist investors, poor board governance, fraud, high-frequency trading, and other factors that distort the markets.

Context
Participants discussed America’s economy, markets, and threats to free markets.

Key Takeaways
America’s economy is performing well, with some giving the President a great deal of credit.

Most businesses feel good about their bottom line. One CEO termed these as “pretty good times.” GDP continues to rise, unemployment continues to fall, and the outlook of business leaders is generally optimistic. Regardless of the economic circumstances, it is the job of CEOs to manage through them.

Supporters of President Trump gave the President credit for the country’s economy. They cited passage of the tax cut and repatriation of funds held overseas, combined with decreased regulations, weakening of unions and changes in labor laws, and changes in energy policy.

However, most CELI participants are not enthusiastic about Trump’s leadership. When asked about their preference to win the presidency in the next election, participants overwhelmingly preferred Joe Biden and John Kasich to Donald Trump, with more participants preferring Howard Schultz, Jamie Dimon, or even Bob Iger to Trump.

Who would be the best president? %

| Joe Biden | 30% |
| John Kasich | 19% |
| Howard Schultz | 15% |
| Jamie Dimon | 11% |
| Elizabeth Warren | 8% |
| Bob Iger | 8% |
| Donald Trump | 7% |
| Mark Cuban | 3% |
| Bernie Sanders | 0% |

Protecting America’s markets appeals to Trump’s base, but is questionable economically.

A former Trump administration official explained that Trump’s decisions to walk away from TPP, to consider exiting from NAFTA, and to unilaterally impose tariffs are based on Trump’s sentiments, intuitions, and preference for one-on-one engagement, as opposed to multilateral agreements.

“Growth prospects for the economy under Trump are better.”

According to this Trump insider, Trump sees and senses stagnation. He observes that people are not aspirational; they feel economic desperation. He sees that America’s trade deals were formed to create a global middle class, but are no longer appropriate for the United States. Thus, even among traditional Republicans who support free trade and oppose tariffs – seeing tariffs as a mistake that is a tax on the American people – they are so pleased with the totality of Trump’s policies that they grudgingly accept and minimize the negative impact of tariffs.

Other CELI participants concurred with the diagnosis of economic desperation, but disagree with the Administration’s solutions. They criticized the Trump administration for lack of job training, poor enforcement of labor laws, and diminished consumer protections. The larger criticism is that Trump scares people and taps into their fears, then makes promises and fails to deliver on them.

Still another participant — James Fallows, coauthor of Our Towns, based on traveling across America and speaking with people in dozens of towns — disagreed with the basic diagnosis. While there is a narrative of desperation and of people across the national flipping out, Fallows didn’t see it. He believes that national politics play a small part in most people’s lives, and that most people feel positively about the renewal, reinvention, and experimentation taking place within local communities. He contends that the reality across America is quite different from the mainstream narrative.

“If you don’t ask about national politics, people feel positive locally about renewal and reinvention.”
Markets provide an opportunity for cities to revitalize themselves.

Part of the experimentation and revitalization of America’s cities is a new approach. Cities such as Detroit, Baltimore, and Pittsburgh are working in partnership with investors such as JPMorgan Chase, Goldman Sachs, and Cowen, which are providing hundreds of millions of dollars in capital. These companies are not providing philanthropy; they are making investments with a profit motive.

“We make investments [in cities] to make money.”

These investments combine social justice with economic opportunity; they are about investing in neighborhoods and opportunities. The investments are intended to make money, create jobs, and be sustainable.

One of the investors termed the process as basic: marrying capital providers with capital needs to make profitable investments. But, he fears that this message is lost on Main Street, which has a negative perception of large investors.

A leading mayor disagrees, saying that the actions of investors are not lost on America’s mayors. Mayors want capital investment and want to attract businesses. Mayors want to form public-private partnerships to attract companies and build infrastructure. They also want to invest in human infrastructure and foster inclusion.

The U.S. financial system has tremendous advantages, but also has distortions and issues of fairness.

Participants engaged in a wide-ranging conversation about the financial system, touching on multiple subjects.

Activist investing

Participants believe that activist investors lead to short-termism and that activists often engage in nasty, unfair campaigns against management.

At times, activists target companies that have performed well but experienced just a minor blip, such as DuPont. Activists also cause companies to consider going private to avoid activists and to be able to take a longer-term perspective.

Many CEOs shared a sense that activist investing not only yields less-than-positive results but also performs worse than passive investing. One participant stated that since 2010, activist funds have underperformed the S&P, with some notable activist investment disasters.

CEOs complained that the media rarely examines the faltering performance of activist funds themselves. CEOs also bemoaned the use of unfair diversionary tactics by some activists to create arbitrage opportunities. This can be a destabilizing force that harnesses artificial uncertainty within a target company. Meanwhile, activist investors in attendance voiced the need for the practice, using the premise that passive investment cannot drive the industry and the needed change and accountability which activists bring.

One CEO pointed out that activists often want significant structural changes, which are usually unrealistic and are extremely painful, and rarely yield positive results. The other type of changes activists want is “operational improvements.” However, activists are often naïve, don’t understand a company’s strategy or operations, and rarely have a solution to improve operations. Examples were shared of activist efforts at Alcoa, DuPont, JC Penney, and GE, which have failed to produce positive value.

CEOs and financial industry veterans offered the following thoughts:

- **Treat activists with respect.** One CEO estimated that perhaps 80% of activists are open minded and willing to engage in a constructive dialog. Another CEO said that complaining about activists does no good. They are shareholders and need to be paid attention to.

- **Explain the strategy to them.** Often activists don’t understand the vision, megatrends, and company strategy. When they do, they often will be supportive. Just because someone is an activist investor doesn’t mean they are adversarial. Win them over based on the business case.

- **Be proactive.** A CEO advised communicating the strategy to the board and shareholders before an activist shows up, and holding management accountable for delivering what is committed. This will preempt activists.

“Before an activist shows up, communicate the strategy with the board and shareholders and hold the company accountable.”
Deceiving investors

Theranos represents an example of fraud by the CEO who blatantly lied to investors. It was also an epic failure of governance. The prominent board—composed completely of white men—lacked any venture capital or health care experience. The board failed to engage in adequate due diligence and didn’t challenge the CEO, who brazenly lied to investors and partners.

With the huge amount of money pouring into Silicon Valley, some investors accept an arrangement with weak board power and lack of voting rights. While private boards typically demonstrate better governance than public boards, good governance requires committed investors who roll up their sleeves and ask hard questions. Despite the prominence of the Theranos board, it was as if the company had no board, making it easy to perpetrate fraud.

A few savvy investors are skeptical of many Silicon Valley companies, see bitcoin as nonsense, and are betting against Tesla. A telltale sign of impending doom—at Tesla and elsewhere—is the high number of executive departures. Other bad signs are when executives sell large amounts of stock, or questionable accounting practices.

An asset manager emphasized that boards have a governance responsibility and investors have due diligence responsibility. When the standards of disclosure rise, this is beneficial for investors.

Front running and kickbacks.

For years, kickbacks were paid to brokers based on how they executed trades, giving advantages to those who paid kickbacks and disadvantaging those who didn’t. One investor said the market is less driven by fundamentals and more driven by high-frequency trading, and that these practices are impacting Main Street more than people on Main Street understand.

IEX is a new type of transparent exchange that eliminates these rebates and provides better execution. Numerous investors support this new exchange but the incumbents are fighting feverishly to stymie it.

Traditional Investing

A prominent investor who focuses on the fundamentals, and shies away from new technological startups, emphasized, “It is good discipline to make a profit.” Without having that discipline, companies and investors have to get lucky, which is not sustainable.

M&A

The majority of CELI participants agree with the court decision to permit the AT&T/Time Warner merger and expect this decision to lead to a merger frenzy.

<table>
<thead>
<tr>
<th>Perspectives on AT&amp;T/Time Warner Decision</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The AT&amp;T/Time Warner court decision was the right answer</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>The Justice Department’s attempt to block the AT&amp;T/Time Warner merger was politically motivated</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>The deal making frenzy of other vertical mergers will follow this decision</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Technology and Consumer Insight: Taste, Tolerance and Wisdom

Overview
Technology is permeating all aspects of all businesses. This includes technologies that use data and analytics, AI technologies, and Blockchain technology, which can make transactions more secure. The chief concern as technology grows and enters all aspects of life is privacy.

Specific examples were shared of how technology will personalize user experiences – at home, at entertainment venues, at restaurants, and more. Technology will also continue to streamline operations and back office functions, improve the efficiency of customer service, and reduce companies’ operating costs.

Boards and CEOs can’t delegate thinking about technology. Technology is strategic and is critical to an enterprise’s future. Board members and executives must immerse themselves in technology to better understand the opportunities and threats.

Context
Panelists discussed key technologies that are already transforming business and shared how technologies are being applied.

Key Takeaways
New technologies will transform all aspects of business.

IBM’s Bridget van Kralingen suggested focusing on the three areas of technology that are already transforming business.

1. Data and analytics. Data is already being used to improve and automate decisions, yet 80% of data is still not on the Internet and is not owned by people or companies. Once even more data is gathered and put to use, data will enable hyper-personalized experiences.

2. Artificial intelligence. AI has potential applications in all industries. AI in back office processes may be able to reduce 40% to 50% of back office costs. AI will also be a future key to cybersecurity. One CEO termed AI as “bigger than typical projects” and said that AI is forcing leaders to think hard about the company’s organizational structure. Another participant characterized AI as still being in the first inning.

3. Blockchain. Blockchain is a permissioned, private, immutable ledger that can change how transactions are conducted and can make markets. One investor who is skeptical about Bitcoin and other cryptocurrencies is extremely bullish about Blockchain.

Technology has become a board issue. Companies need strong board support for technology investments, as well as organizational skills and expertise.

CEOs and executives constantly need to update their board, investors, and other stakeholders on how technology and digitalization fit into the company strategy.

One board member described an entire board retreat devoted to exposing and educating the board to next-generation technologies.

The greatest concerns related to technology are privacy and security. These concerns are heightened by technologies such of the Internet of Things, which gather data from embedded sensors in all aspects of life. Those who worry about privacy say that for technologies to work as intended, trust is required. However, skeptics commented that most consumers want convenience and don’t care much about privacy.

Technologies are being applied by all businesses in transformative ways.
Among technology applications discussed were:

- **Technology in telecom.** In telecom, the key issue over the past few decades has been to use technology to provide reliable communications. Verizon, under Ivan Seidenberg, made a bet and invested significant capital to build networks that would grow the pie. Verizon was fanatical about operating excellence and built a culture focused on reliability. In conducting acquisitions to build the network, 70% of any cost savings was reinvested in further network growth.

American Tower sees the future of telecom’s digital infrastructure as building many small sites for smart cities. They see the infrastructure of the future as being open source, so it is open to all users, and being resilient.
• **Technology in homes.** Homes of the future will be “smart homes” that have WiFi connectivity in all areas, along with technologies such as Amazon’s Alexa that provide services throughout. Consumers will be able to easily personalize the living experience and easily replenish products. Home builders will also use technology to streamline how people apply for a mortgage or get title insurance.

> “We need to be part of waves of technology. If we don’t experiment with technology, we will get left behind.”

• **Technology in customer service.** Voice activated AI will be used in call centers to provide faster, better, more efficient, and lower-cost customer service. In the airline industry technology will improve the customer experience and improve back-end operations.

• **Technology in restaurants.** Within the foodservice industry, technology will enable creation of one-to-one marketing, using social media and location data. Technology will be used in store location decisions and AI will be used to automate aspects of restaurant operations.

• **Technology in sports and entertainment.** Sports leagues have to become more technologically proficient to keep up with fans. Technology will be used to engage fans and enhance the customer experience. It will also be used by sports teams in looking at players’ analytics and biometrics in real time.
Lifetime of Leadership Award

Farooq Kathwari, Chairman, President & CEO, Ethan Allen

Presented by Nasser J. Kazeminy, Founder & Chairman, NJK Holding Corporation; Chairman, Ellis Island Foundation, and Myron E. Ullman III, Retired Chairman & CEO, JCPenney Company; Chairman, Starbucks Corporation

Farooq Kathwari came to the U.S. as a student. He studied during the day, worked at night, and has gone on to lead an iconic company for the past 23 years.

During his time leading Ethan Allen he built a business around quality products, attention to detail, caring about consumers, and leading his team with integrity and hard work. He turned a once stodgy business into a leading contemporary brand. And he did it while manufacturing most of the company’s products in the United States—and selling to China.

Beyond leading Ethan Allen, he gave back. Kathwari served as the chair of the National Retail Federation for two terms and founded the Kashmir Study Group to seek a peaceful solution to the conflict between India and Pakistan.

He is recognized as an outstanding business leader with great professional accomplishments and a leader in humanitarian endeavors.

Maverick in Leadership Award

Stuart A. Weitzman, Founder, Stuart Weitzman

Presented by Kay Koplovitz, Founder, USA Networks; Former Chair, Liz Claiborne; Managing Partner, Springboard Growth Capital, and Kip Tindell, Co-Founder & Chairman, The Container Store

Stuart Weitzman, who founded the company that bears his name, was honored with the Maverick in Leadership Award.

Upon graduation from college Weitzman was planning to go to Wall Street. But he hand drew some designs for shoes, which were well received by a catalog company. This led Weitzman to pursue his passion and start a shoe company.

Weitzman was recognized as “an entrepreneur’s entrepreneur.” He saw a market opportunity—luxury shoes for the middle market—and involved himself in the design, manufacturing, and marketing. He created comfortable, stylish shoes that are loved by his customers—which include Beyoncé and Princess Kate.

In remarkable demonstrations of persistence, Weitzman convinced Kate Moss to appear in a landmark campaign for Stuart Weitzman boots and convinced a noted architect to design the company’s unique retail stores.

Stuart Weitzman’s continuing, remarkable career is truly the story of a Maverick in Leadership.
Legend in Leadership Award
Brian Moynihan, Chairman & CEO, Bank of America
Presented by David M. Rubenstein, Co-Founder & Co-Executive Chairman, The Carlyle Group

In presenting Brian Moynihan with the Legend in Leadership Award, David Rubenstein observed that when Moynihan agreed to become the CEO of Bank of America in 2010, few people would have taken the job. From 2007 to 2009, BoA had made many mistakes, including the Countrywide acquisition, which is one of the worst deals in American business history. The government was breathing down the company’s neck, consumers were complaining, and a great deal of bad will had been created. Some critics thought the bank would become insolvent and many wondered about Bank of America’s survivability.

But under Moynihan’s leadership, Bank of America has survived and thrived. Earnings are up over 500% and the stock price is up 87%. Warren Buffett called Bank of America his favorite bank stock, and owns hundreds of thousands of shares.

Moynihan had no doubts about leading Bank of America, because he thought that BoA was a great company with a great team. He focused on the core, invested in technology, exited some businesses, and focused on strengthening the organization. More than anything, Moynihan focused on leading with purpose by instilling in employees that they were helping customers with their financial futures. This focus on purpose has been the key to Bank of America’s turnaround, which is poised to continue going forward.