EXECUTIVE SUMMARY

Yale SCHOOL OF MANAGEMENT

CEO SUMMIT

The Global CEO and Local Sensitivities:
Leading at Once as Diplomat, Patriot, Entrepreneur, Financier and Industrialist

Waldorf Astoria, New York | December 17 - 18, 2014

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Key Themes from Yale CEO Summit

The 80th Yale CEO Summit, led by Yale Professor Jeffrey Sonnenfeld, was held at the Waldorf Astoria in New York City on December 17 and 18, 2014. This Summit brought together business leaders, current and former government officials, academics, and other thought leaders. This Summit’s theme was “The Global CEO and Local Sensitivities: Leading at Once as Diplomat, Patriot, Entrepreneur, Financier and Industrialist.”

Sessions dealt with the CEO voice and when to use it in global events, the role and types of activist investors, disrupting existing industries, and reinventing established enterprises. This Summit looked at the business climate in the U.S., Europe, China, and elsewhere, and examined trends in industries including telecom, entertainment, technology, healthcare, retail, and more. Klaus Kleinfeld, chairman and CEO of Alcoa, was honored with the Legend in Leadership Award.

Key Themes

Digital technologies have transformed the media landscape.

No one could have predicted the transformation that digital technologies have brought about. When AT&T was broken into the Regional Bell Operating Companies (RBOCs) in the 1980s, the assets perceived as most valuable were the long distance lines, which now have no value. The Internet and wireless technologies have changed everything. And with the “Internet of Things,” devices will become connected digital devices, producing massive amounts of data.

As one panelist stated, “The digital economy is disrupting the real economy.” Every company is now a media company, capable of publishing and distributing messages and reaching mass audiences in real time at no cost, disintermediating traditional media channels.

Irreverent T-Mobile CEO John Legere is the voice of his company and frequently sends real-time messages to his rapidly growing network of Twitter followers (who number more than 900,000), each of whom has about 3,000 followers to whom they can redistribute Legere’s message. These often controversial tweets also generate coverage from traditional media outlets.

A few participants said a risk is that organizations become too focused on technologies, finances, and industry dynamics, and forget to focus on consumers. Other participants disagreed. Legere said all the ideas he gets come from customers who respond to his tweets, providing an entirely new way of listening to and learning from customers. Participants from Silicon Valley explained that the culture there is different, with companies developing products directly focused on customers, with constant experimentation and learning. An enormous advantage of digital products is the creation of data through the use of the products and the emergence of “big data” and analytics, which gives companies a far better understanding of customer behavior.

China’s political changes are profound.

Discussions of China typically focus on economic growth. But former Australian prime minister Kevin Rudd placed great emphasis on important political changes taking place. He termed China’s President Xi Jinping the most dominant Chinese leader in many years, and characterized him as radically different from his predecessors.

Per Mr. Rudd, President Xi has great ambition for China and overwhelming confidence in his vision. In a recent speech—which Rudd believes was historic—Xi stated that China’s time has come, that it is a moment of unprecedented strategic opportunity for China, and that China is engaged in a contest to shape the future global order. This represents a significant departure from China’s previously modest global posture. Rudd and other Summit participants see rising economic nationalism in China, which could be detrimental to corporations doing business there.

Some participants don’t believe that American political leaders understand China or are distracted by other priorities. Others do believe that U.S. government leaders understand China but don’t believe the U.S. has the policies or ability to influence China. As a former government official said, “We are paying attention to China, but can we do anything?” Another former U.S. official was more optimistic, seeing positive confidence-building measures in terms of military cooperation and discussions of greater cooperation on trade.

CEOs must behave as activist investors.

Activist investors enter when they see an opportunity to make money in the short term, assessing a company as worth more than its current market value. While the motivation of activist investors is similar, the behavior and approaches differ. Some activist investors pursue
Reinventing established enterprises is driven by leaders who change cultures and inspire.

Often innovation and disruption are attributed to startups, but that’s not necessarily the case. Multiple examples were shared of companies that are more than 50 or 100 years old that have reinvented themselves.

Lynn Tilton has acquired and led turnarounds at more than 200 companies—many of which had been given up on as dead—with a focus on innovation and design. Snap-on repositioned itself from being a maker of wrenches that enable auto mechanics to fix cars to a company that makes it easier for people to complete important tasks. AMC remodeled its movie theaters and is focused on the movie-going experience. And Microsoft—at 40, an old company in the world of technology—is reinventing itself by focusing on the big trends of social, mobile, cloud, and big data. The company is changing its business model to succeed in each area.

To survive, longstanding companies have always had to reinvent themselves. What is different now is the speed required. Summit participants emphasized that reinvention is about far more than just strategy and technology. Keys to success include:

- Being deeply grounded in values.
- Understanding the past and honoring it, but not being locked into it.
- Enlisting everyone in the organization in change. This requires leaders who respect and inspire people by delivering personal messages that tap into emotions.
- Attracting great talent, especially among younger generations.
- Changing the culture to foster innovation. Culture is more important than strategy.

Reinvention was also a theme of municipal leaders, including mayors and a police chief. Beyond financial incentives to encourage businesses to locate or grow in a city, mayors and other government leaders recognize that the key to attracting businesses is having a capable, skilled workforce and offering a great quality of life. For a police force, the key is not specific police tactics but building relationships within the community that produce trust and respect between citizens and the government.

a short-term, highly adversarial strategy of attempting to boost the stock price by making noise and putting a company in play. This can yield positive short-term financial results but doesn’t create long-term value. Other activist investors take a longer-term approach, seeking to improve the business by, among other things, revising the strategy, changing the allocation of capital and the capital structure, improving the margins and profitability, and possibly modifying the board.

CEOs must stay ahead of the game by proactively and continuously disrupting their company internally before an external party enters the picture. Per one participant, “The chief activist should be the CEO.” However, this is extremely difficult as most CEOs are not comfortable initiating massive disruption. Another participant remarked, “By the time activists show up, it is often too late; something severe has gone wrong.”

Technology is driving massive disruptions in financial markets.

In recent years technology has been applied in the extremely complex capital markets to, among other things, enable high-frequency trading. But, 85% of Summit participants are concerned about high-frequency trading in exchanges, 54% believe the stock markets are rigged, and a full 95% see unfair advantages in trading systems. Brad Katsuyama, president and CEO of IEX, is using technology to create a new trading exchange that eliminates large institutions’ trading advantages. This has garnered a great deal of attention, is strongly opposed by some, and has the potential to be extremely disruptive.

In manufacturing, robotics and other sophisticated technologies will disrupt the sector, impacting the processes used and where manufacturing is located. Other disruptive innovations include crowdsourcing (which could disrupt venture capital), 3D printers, and greater use of powerful computing in biotech.
The CEO Voice: 
When Media Became the Message

Overview

While the AT&T breakup changed the telecom landscape, new digital technologies of just the past few years are fundamentally disrupting the media industry. Now, every company in every industry is capable of being a media and publishing company. Companies can deliver unfiltered messages to mass audiences in real time at essentially no cost, and can get immediate feedback and ideas from customers. Companies can use big data to analyze markets, target messages, and develop a deeper understanding of customer behavior. For traditional media players, this disruption is creating great uncertainty. For companies in other industries, content and media opportunities are extremely exciting.

Context

Panelists and participants discussed the 1983 breakup of AT&T, the impact it has had on the media and communications landscape, and the implications today for companies in all industries.

Key Takeaways

Changes in communications technologies and systems have played out far differently than was anticipated.

A prominent telecom investor termed the 1980s breakup of AT&T "an artificial breakup" that "created false competition." Those focused on the telecom industry at that time believed the long distance phone lines were the most valuable asset and saw competition being between local and long distance phone companies. Key questions at the time were who would be the winners in the long distance game and who would get stuck with the last mile. There was initially little interest in cellular technologies, with bidders winning parts of the wireless spectrum for close to nothing.

Things have played out differently than was expected, due largely to technological innovation and the development of the Internet. The true competition has been between phone and cable companies, and between wired and wireless. Phone, cable, and Internet service have all become commoditized. As one participant who had worked at a Regional Bell Operating Company (RBOC) observed, the cellular business had been very profitable for a while, but now any players in the industry without a wireless business are at a serious disadvantage.

“What led to commoditization? People mispredicted the technology, which has taken over.”

— Prominent telecom investor

In a commoditized industry, scale matters, especially in terms of infrastructure and marketing, which over the past few decades has driven widespread industry consolidation to become bigger and bigger. With most combinations viewed as relatively small deals, they have been allowed by the U.S. Justice Department. But the proposed merger between AT&T and T-Mobile was the exception. A former Justice Department official explained that the DoJ concluded that this merger would increase prices and harm consumers.

The perspective of one participant was that in Europe, companies invest in infrastructure in front of anticipated demand, based on the promise of a large upside down the road. In contrast, in the United States, companies are motivated to invest in infrastructure to keep pace with competition in the near term.
The digital infrastructure has resulted in a new digital economy.

Digital technologies have created an entire digital economy, which is fusing with and in many cases disrupting the real economy. In the initial years of the digital economy, many companies struggled to find viable business models. Key elements of the digital economy are now taking hold broadly and are changing how companies create value and compete. These include Big Data/Analytics and the Internet of Things.

• Big Data/Analytics. Part of the digital economy is creation of huge databases with enormous amounts of data. Companies are now aggregating and leveraging their data in entirely new ways, and very quickly the position of “Chief Data Officer” has become a requirement in all industries.

• Internet of Things. Companies are connecting all sorts of products and devices to the Internet, ranging from phones to cars to household devices. This is creating an “Internet of Things,” which is changing how people live and work. It will change the types of products that companies create and will further amped up the amount of data created, collected, and used.

Every company is now a media and publishing company.

Historically, media companies controlled the content distributed to consumers, making media companies extremely valuable. But technology, especially social media, has eliminated the barriers to entry, giving every company the capability to be a media company, distributing messages to mass audiences in real time at no cost.

“There are changes [in media] every decade, but in the last five years things have changed dramatically.”
— Former CEO of a leading retailer

The editor of one of America’s most prestigious business publications observed there has been disintermediation, a decline of power in the media industry, and there is great uncertainty about the future of media.

“Everyone is now a publisher.”
— Editor of a leading business publication

John Legere, CEO of T-Mobile USA, personifies the changes taking place. Legere has more than 900,000 Twitter followers (@JohnLegere), each of whom averages about 3,000 of their own followers. To break through the media clutter, he communicates with customers directly, irreverently, and frequently (he has sent out almost 9,500 tweets), at no cost. His provocative tweets often generate coverage from traditional media outlets. Legere, for example, will use social media to ask customers to view a video (thousands do) and then tell him if T-Mobile should run the video as an advertisement, getting extensive and free exposure along the way. Through this new form of digital communication, Legere can bypass the traditional media outlets, build his personal and corporate brand, hear directly from customers, and compete with his larger, more traditional, deeper-pocketed competitors.

In contemplating macro changes in the media landscape, companies must not forget about the consumer.

One participant commented that the discussion of changes in the media landscape seemed to center on macroeconomic factors, finances, industry consolidation, regulation, technology, and a company’s value proposition, with little mention of consumers. Another attendee agreed, noting that not much time is spent at board meetings discussing consumers.

Other participants strongly disagreed. Legere said that all of the ideas he and his company get come directly from customers reacting to his communication, representing an entirely new way of listening to and learning from customers. A representative from a major technology company explained that the culture in Silicon Valley is to view the customer as king. Companies design their products for specific consumer uses, are constantly experimenting and learning from consumers, and are continuously iterating their products. Big data is a tool that enables companies to have a far greater understanding of customer behavior.

“It [the attitude in Silicon Valley] is a different way of thinking. Products are directly focused on the consumer and the products are constantly learning.”
— Executive from a leading Silicon Valley tech company
When to Use the CEO Voice in Global Events:
Trade, Energy, Cybersecurity, and Defense

Overview
As China’s economic and political power continues to grow, so too do the country’s confidence, ambition, and economic nationalism. Despite low trust of China by those in developed countries, questions about the country’s rule of law, and little effort to address cyber-terrorism, Western companies continue to see enormous business opportunities. The U.S. government is wrestling with the appropriate policy responses, politically, militarily, and economically, with differing views on the effectiveness and potential impact of actions taken to date.

Context
Former Australian prime minister Kevin Rudd explained the important political changes taking place in China. Participants discussed the potential economic impact of these changes and the policy response of the United States. Also, weighing in on the topic of the day, attendees shared their reactions to Sony’s decision to cancel the release of the movie The Interview.

Key Takeaways
Political changes are taking place in China which represent a significant departure from the past.

Kevin Rudd, the 26th prime minister of the Commonwealth of Australia and a close follower of political and economic events in China, termed Chinese president Xi Jinping the most dominant Chinese leader in many years.

“You have to understand this leader. This leader really matters. He is the most dominant Chinese leader in years, is radically different from his predecessors, and is overwhelmingly self-confident.”

— Kevin Rudd, 26th Prime Minister, Commonwealth of Australia

Rudd characterized President Xi as overwhelmingly self-confident in his vision for China and radically different from his predecessors. Rudd offered several observations from an important November 30 foreign policy speech by President Xi:

• Xi showed tremendous confidence in China, signaled that China’s time has come, and indicated that this is a moment of unprecedented strategic opportunity for China.
• Xi did not mention the United States at all in his speech, while asserting that in the future there will be multiple centers of power.
• Xi emphasized the centrality of the region and China’s role in the region.
• Xi stressed that China will pursue great diplomacy but implied that China will do so on its own terms.
• Xi chose his language carefully, stating that China is in a “contest” to shape the future global order and will play an active role in shaping the rules of the game.
An issue giving pause to investors is the credibility of the rule of law in China. What the Chinese mean by rule of law is very different than in the West. For example, China’s highly publicized anti-corruption campaign is completely outside of the rule of law, as is the economic targeting of Western companies. One investor said that the system in China is extremely complicated, and “they do things their way.” The question is whether China develops an independent judiciary, or if as is the case with Putin in Russia, the legal system is highly politicized.

“Are the processes [in China] consistent with the rule of law or are decisions based on political pressures? If they are political, it will paralyze investments.”

— Former U.S. government official

Despite concerns about trust and the rule of law, investors and CEOs still remain optimistic about the opportunities in China. As one CEO stated, “This hasn’t affected our business in China . . . not only are there no problems, but we are welcome there.”

The U.S. lacks clear and effective policies to influence China.

In light of China’s growing political ambitions and economic power, the question shifted to possible U.S. responses. Participants shared differing thoughts related to policy:

• U.S. policymakers aren’t paying attention to China. A leading conservative political advocate believes that American politicians aren’t focused on and don’t understand China. He said that American politicians spend their time “counting battleships” as opposed to truly understanding Chinese politics and economics. When the U.S. has focused on China, it has not been useful engagement.

• The U.S. is paying attention to China, but has limited policies, with limited influence. A former State Department official disagreed with the assertion that the U.S. is not focused on China. He countered that the U.S. government is focused on China and has a good understanding of China. The question is whether the U.S. has policies in place to address China’s growing economic nationalism, and what influence the U.S. will be able to have.

“We are paying attention, but can we do anything? . . . The U.S. will find it hard to influence internal event in China.”

— Former State Department official
• The U.S. is paying attention to China, shown through military and economic policies. Many Summit participants believe the U.S. is focused on China and is taking specific actions. For example, more than 80% of participants believe that the primary reason the U.S. is rebalancing its fleet is to contain China. And U.S. interest in the Trans-Pacific Partnership (TPP) is seen by many as an American strategy to preserve economic influence in the region.

Rebalancing the U.S. fleet is to contain China

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• The U.S. is paying attention to China and may be making progress. A former intelligence official said the U.S. definitely pays close attention to China and the relationship must be considered in a security context. He sees positive developments and confidence-building measures taking place that are improving the military and security relationships. Another former U.S. intelligence official is aware of dialogue on cybersecurity issues but believes that little progress has been made.

Views differ on Sony’s decision not to release The Interview.

The majority of Summit participants disagreed with Sony’s decision to cancel the release of The Interview, with 57% voting that Sony was wrong to capitulate and cancel the movie’s release.

Sony was wrong to capitulate, cancelling the release of a movie cyberterrorists did not like?

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A former congressman argued that The Interview should have never been made. He termed it an irresponsible, stupid decision. The CEO of one of America’s largest theater chains said it was an easy decision not to show the film as it would have put workers at risk, most of whom are 17-year-old kids.

Others disagreed, arguing that this is a First Amendment issue. Those taking this view believe that companies fully have the right to make irreverent, politically incorrect films, and the government should have strongly protected and supported this right. By deciding not to release the film, some contended that Sony was setting a bad precedent for other companies. Still others viewed the decision to make the movie as purely a business decision, as was the decision not to release it.
How Long is Enough?
Timeframe to Judge CEO Performance

Overview
Activist investors have gotten the attention of CEOs and boards. The general perception is that loud activist investors will “put a company in play” to increase the short-term stock price. But that’s not always the case. There are activist investors and situations where investors work collaboratively with management to create long-term value. Activist investors can bring a new perspective, increase accountability, and push companies to rethink their strategy. Yet a preferable scenario for most companies is to have boards, and better yet, a CEO who is willing to act as an internal activist and proactively disrupt the company before an external activist investor does so.

Context
Panelists and participants discussed the different types and practices of activist investors, and the role of CEOs in behaving as internal activists.

Key Takeaways
Opinions vary on the benefits of activist investors.

One panelist argued that activist investors are not a product of the sensationalistic media. Shareholder activism is a booming industry not because of the media, but because money is pouring in to fuel the activist investors’ funds.

A prominent activist investor argued that activists play an important function in a democratic, capitalistic system. Such investors provide important checks and balances on corporations and their management, and heighten the level of accountability. Typically activist investors intervene when a company has gone awry, with a very specific focus on improving shareholder value. Activists tend to get involved around governance, accountability, capital allocation, efficiency, margins, and profitability. They ask questions that push boards and management to make changes that will improve the company. In fact, this individual said he prefers the term “constructivist” investor as opposed to activist.
Activist investors have very different styles and objectives.

One leading (non-activist) investor alluded to a conversation at a previous Yale CELI Summit where activist investors were termed as either “screamers or non-screamers.” Those who are screamers use the media to “put a company in play.” This was characterized as a relatively easy and low value-added strategy that is essentially a re-run of the 1980s.

In contrast are the non-screamer activists who actually seek to improve the business and then sell it at a higher value. Making changes and long-term investments in collaboration with a company’s management is less common and more difficult. But it is possible. A former Home Depot director explained that activist investors can benefit a company if the activist’s interests are married with the company’s long-term interests, as was the case at Home Depot. This investor and former director asserted that activism can be good if it makes people think differently, and even one new person on the board can effect change.

CEOs need to behave as internal activists.

Panelists observed that typically by the time an activist investor shows up – and especially an investor in distressed companies – management has waited too long to take bold action. One panelist observed that companies are best served when the chief activist is the CEO. CEOs need to be talking with customers, scanning the environment, and thinking long term, and need the courage to disrupt the company. However, with such short CEO time horizons, most CEOs don’t have the time or the courage to lead major disruptions.

It starts even earlier, said another panelist, by the board in the selection of the CEO. To preempt an activist requires a functional board which picks the right leader.

Others paint activist investors in a less favorable light. A prominent investor who was not at the Summit was quoted as saying that “activists are bad for the country.” They hurt investment and employment, and change how companies behave, making decisions based on the fear of activist investors. A PR leader who has engaged in many battles with activist investors commented, “Much activism isn’t for the greater good of the company.” Many CEOs see activism as bad, driven by the short-term financial incentives of investors as opposed to a desire to create long-term value.
Inventing Industries and Cultivating New Customers

Overview
Technology has brought about high-frequency trading, which most people believe has created unfair trading advantages for large financial institutions and disadvantages for individual investors. However, technology also has the potential to bring about a disruptive new trading platform that can level the playing field as well as disrupt virtually every industry, including healthcare, energy, and manufacturing.

Context
Panelists discussed how technology has raised issues affecting the confidence of the financial exchanges and how technology is causing broad disruptions.

Key Takeaways
Even sophisticated business people have concerns about financial markets.

In a series of real-time survey questions to CELI attendees, the responses of this group of sophisticated business people showed serious concerns about the fairness of the financial markets and trading systems. A majority (55%) of participants think that stock markets are rigged, 83% are concerned about high-frequency trading (HFT) in the exchanges, and an astounding 95% of CELI attendees think there are unfair edges in trading systems.

“The stock market advantages certain traders and disadvantages others.”
— CEO of a new company that aims to disrupt the established trading system

Responses
Mary C. Tanner, Senior Managing Director, Burrill & Company
Glenn Fuhrman, Managing Partner, MSD Capital
Frederick Frank, Chairman, Burrill Securities
Scott C. Ganeles, CEO, Ipreo
Pramod John, CEO, Oration
Stacy J. Kenworthy, Chairman & CEO, OptiGlobal Group
Vivek Wadhwa, Vice President, Singularity University
Philip H. Kowalczyk, President & CEO, The Robert Allen Group
Ravi Dhar, Professor, Marketing, Yale School of Management
Barry Nalebuff, Professor, Strategy, Yale School of Management
Seth Feurstein, CEO, Cobalt Therapeutics
William P. Puttsis, Professor of Marketing, UNC at Chapel Hill
Adam Aron, CEO, World Leisure Partners
Ankur Jain, CEO, Humin
Zack Cooper, Professor, Yale University
George E. Newman, Professor, Yale School of Management
Significant disruption is likely in the financial services sector.

Brad Katsuyama, president and CEO of IEX, is using technology to create an alternative trading exchange that removes the advantages of the large institutions engaging in high-frequency trading. This new technological platform, which has strong opposition from some entrenched parties, has garnered a great deal of attention and has the potential to be highly disruptive.

There also is significant potential for disruption in Europe’s financial services sector. European financial institutions are not bouncing back and their flexibility is limited due to the requirement of holding the majority of all loans on their balance sheets. Thus, innovations are likely to come from smaller, more nimble players with new business models. The former CEO of a leading European bank sees this as a once in a generation change. As an example, he sees tremendous opportunities in Africa for focused companies that move quickly to pursue these opportunities, which do not include the large European banks.

Also mentioned in the financial services sector is the potential for crowdfunding, which has the potential to make venture capital less relevant, and bitcoin, which could disrupt currencies and payments.

Technology-driven disruptive innovations are taking place across sectors.

As several panelists emphasized, disruptions are taking place everywhere, in technology, healthcare, energy, and more. A few examples were:

- In 15 years there will be almost free clean energy.
- Robots will disrupt manufacturing and will affect labor.
- The U.S. biotechnology and life sciences ecosystem is being disrupted as China has decided to build a biotech industry and is investing heavily to build it quickly. At the same time, NIH and venture capital funding are not keeping pace, making it hard for early-stage biotech companies to obtain funding.
- Cloud-based technologies are changing the business model and are disrupting the software industry, and are broadly impacting all industries.
Legend in Leadership Award
Klaus Kleinfeld, Chairman & Chief Executive Officer, Alcoa

Co-Presenters
Ellen J. Kullman, Chair & CEO, DuPont
Wilbur L. Ross Jr., Chairman & CEO, W.L. Ross & Company

Klaus Kleinfeld was recognized as a unique leader among leaders, who has distinguished himself by successfully leading both prominent German and American companies. He has a personal passion for business and for leadership.

Kleinfeld has a PhD in strategic management and deep knowledge of the theories of leadership. But he is far from just a person of theory in that he constantly demonstrates leadership through his behavior and actions. Kleinfeld understands human nature, has a deep sense of respect for others, has tremendous enthusiasm and a convincing personality, and has a great ability to bring together and connect with teams. His leadership is based on an unshakeable foundation of values and a deep value system.

Under Kleinfeld, Alcoa has been transformed. Kleinfeld is known for setting the bar high, focusing on growth and shareholder value, and creating a modern new culture in a very old-line company. He has repositioned the company by cutting costs while investing to add high-value businesses that complement Alcoa’s traditional commodity business. This transformation is producing extraordinary results.

“[Klaus Kleinfeld] has focused on growth and brought to market new ideas. He has matched a burning platform with burning ambition, and while setting the bar high, demonstrates a combination of leadership values and behaviors.”
— Ellen Kullman
Reinventing an Established Enterprises

Overview
While innovation and disruption are typically attributed to startups, established companies can and are innovating, disrupting, and reinventing themselves. They are listening to customers, riding the wave of major technology trends, focusing on innovation and design, and changing their strategy and positioning. Most importantly, leaders are changing cultures to foster innovation, focusing on speed, emphasizing attracting great talent, and leading through tapping into emotions and inspiring.

Context
Panelists discussed the challenges associated with reinvention and shared success stories describing how leaders are transforming established companies.

Key Takeaways
Established companies are innovating and reinventing themselves.

As companies become established and grow large, they often become lumbering bureaucracies. Per Schumpeter’s theory of creative destruction, unresponsive older companies give way to innovative new companies.

But large, established companies don’t have to die and innovation is not solely the domain of high-flying Silicon Valley startups. Numerous examples were shared of large, historic enterprises that have adapted to new conditions and are thriving by having reinvented themselves. This includes more than 350 companies on the New York Stock Exchange which have existed for more than 100 years, requiring constant reinvention. Among the examples shared:

- Patriarch Partners, owned by Lynn Tilton, has in the past 14 years purchased and turned around more than 200 companies—many of which had been given up on as dead. The company is driven by a mission of rebuilding America and saving jobs. Keys to success include changing products and processes, becoming far more creative and innovative, and focusing on design and beauty.

- Snap-on changed its strategy and repositioned itself from being a maker of wrenches that enable auto mechanics to fix cars to a company that provides solutions that make it easier for people to complete important tasks, dramatically expanding the size of its potential market.

- Microsoft, which though only 40 years old is considered old for a technology company, is reinventing itself by focusing its business on four major tech trends: social, mobile, cloud, and big data. The company is changing its business model to succeed in each area globally.

- AMC, one of America’s largest theater chains, invested to remodel its theaters and reshape the movie-going experience.


Source: Klaus Kleinfeld, Chairman & CEO, Alcoa
George S. Barrett, Chairman & CEO, Cardinal Health
Lynn Tilton, CEO, Patriarch Partners
Joseph C. Papa, Chairman, President & CEO, Perrigo Company
Thomas J. Quinlan, President & CEO, R.R. Donnelley & Sons
John F. Lundgren, Chairman & CEO, Stanley Black & Decker
Gerardo Lopez, President & CEO, AMC Entertainment
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
Ken Keeverian, Senior Vice President, Corporate Strategy, IBM
Raymond V. Gilmartin, President & CEO (1994-2005), Merck & Co.

Committee
Richard J. Berry, Mayor, Albuquerque, New Mexico
Mick Cornett, Mayor, Oklahoma City, Oklahoma
Donald L. Plusquellic, Mayor, Akron, Ohio
Jim Gray, Mayor, Lexington, Kentucky
Henry P. Johnson, President & CEO, Fiduciary Trust Company International

Responses
William V. Roberti, Managing Director & Senior Advisor, Alvarez & Marsal
Thomas Kolditz, Professor, Yale School of Management
Melanie Kusin, Vice Chairman, Korn Ferry
Alfred G. Goldstein, Former President, Sears Specialty Merchandising
Douglas Franklin, President & CEO, Multiple Sclerosis Association of America
James N. Baron, Professor of Management, Yale School of Management
Stephen A. Greyser, Professor Emeritus, Harvard Business School
Dean M. Esserman, Chief of Police, New Haven, Connecticut
David W. Miller, Director, Faith & Work Initiative, Princeton University

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For a police force, the key is not some new technology or specific policing tactics, but building strong relationships within the community that produce trust and respect between citizens and the government. Previously, communities and citizens policed themselves. This has changed as citizens have given more power and responsibility to the police and now expect the police to do more. The key reinvention that must take place is returning a greater sense of ownership and responsibility to the community by engaging the community and building positive relationships between the community and the police. Such relationships create a foundation that provides a good quality of life and allows reinvention to take place.

Reinvention is fundamentally about leadership.

Summit participants emphasized that reinvention is about far more than strategy and technology. To reinvent and innovate at the speed required in today’s competitive market is about changing the culture of a company to foster innovation. Changing the culture involves attracting great talent, especially younger generations, by creating a vibrant, engaging workplace and by empowering people.

Reinvention also requires leaders who are capable of enlisting everyone in the organization in transforming the company. Leaders must inspire people by delivering relevant, personal messages that tap into people’s emotions and cause them to care.

Civic leaders must also focus on reinvention and renewal.

Reinvention was also a central theme among the many civic and municipal leaders in attendance, including mayors of some of America’s most progressive cities and a police chief. These civic leaders are focused on constantly improving their cities to encourage businesses to locate there and stay. This goes beyond merely offering financial incentives—which any city can replicate. Municipal reinvention involves investing in infrastructure, providing a great quality of life, and developing a capable, highly skilled workforce. Those elements create vitality and energy and are an attractant for businesses.

“You must pay respect to history but you can’t be held hostage to the past.”
—CEO of a major healthcare company

While working to change and reinvent, certain core elements should never change.

In drawing this Summit to a close, David Miller, the director of the Faith & Work Initiative at Princeton University, offered closing comments. He said that amid the constant focus of reinvention and change, there must be certain core ideas that never change. These are:

- **Values.** Organizations and leaders should make sure that their values are clear and are broadly known. The values must be constantly articulated and lived.
- **Remembering why.** At times organizations get so caught in executing and doing that they forget why they exist and who they serve. Make sure to always remember why.
- **People.** Organizations often focus on technology and processes, which are important. But what can’t be lost is the importance of people: who they are, how they feel, what they care about.

Mick Cornett

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