

Teneo Insights Webinar: Corporate America's Response to Social and Environmental Imperatives

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Kevin Kajiwara (KK): Good day, everyone. Thank you for joining Teneo Insights. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory in New York City, and thank you very much for accommodating our time change today. On Saturday, November 7th of last year, I was at home with the TV on in the background, and like so many of you, I was waiting for that inevitable but painfully slow to arrive moment when the election was finally called. And in the event, I heard it, and after watching John King and Wolf Blitzer up at the magic wall there for about a hundred straight hours, I have to admit that it took a second for it to sink in. And the enormity of the event was evident throughout the rest of that day on the streets of New York and obviously in so many other places, but really,

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what stood out for me was actually a relatively quiet moment between that initial announcement and the rebels on the streets later that day.

It was Van Jones's reaction, and his now famous line, "It's easier to be a parent this morning." That resonated. It summed up, I think, in many ways, the lifting of a weight off of the nation's shoulders that, finally, whatever side you were on, the election was finally over, but it meant so much more to so many people as well. So, I am very pleased today to be joined today for the first time by Teneo's newest Senior Advisor, Van Jones, best known to many of you probably for his appearances on CNN. He is also an Emmy Award winning producer. He's a New York Times bestselling author. He was Green Jobs Advisor to President Obama, and a very prominent advocate of the First Step Act for criminal justice reform, and he has also founded or co-founded several non-profit social enterprises.

We're also joined today by someone familiar to regulars of this call. Mark Weinberger, a Senior Advisor and longtime friend of Teneo. He's the former Global Chairman and CEO of EY. Today, he sits on the boards of Johnson & Johnson, MetLife, and Saudi Aramco, and he has also served, in various capacities, every president going back to Bill Clinton. We've got a lot to discuss about how corporate America is meeting the challenges that it feels like all hit at once, but really, in reality, we're years and decades in the making. If you'd like to join our conversation, please do so via the moderator chat button on your screen, and we'll try to get to your questions. So, gentlemen, welcome. Obviously, it's been a hell of a year, the pandemic and the economic disruption it caused, the deaths of George Floyd and Breonna Taylor and others, leading to the largest social justice movement in American history, the

election, its aftermath, January 6th, and now adjusting to a new administration.

That is an awful lot for leaders of major corporations, not to mention the rest of us, to have to navigate. So, I want to start by just level setting here. How did corporate America do, and how well poised are they to follow through on the decisions and pledges that were made, even as they prepare for this post pandemic era with so much uncertainty out there? Van, you talk to corporate leaders. What are your thoughts as we head into this new phase?

Van Jones (VJ): Well, I think we have to be hopeful for a couple reasons. First of all, even 12 months ago, if you'd asked most people, certainly people in the mainstream, white Americans, how important is anti-black racism to you? How important is police reform, the racial wealth gap? You'd have gotten very disappointing answers, even 12 months ago. We're in the middle of COVID, and some of the racial imbalances in COVID were just becoming a part of the public conversation, and we were still a couple of months before George Floyd. Twelve months later, frankly by the end of the summer, polls showed 20 to 30 million white Americans had changed their position dramatically and were putting anti-black racism near the top of their list of concerns. That's an extraordinary development. Dr. King never had one summer where he picked up 30 million new supporters. So, against that backdrop, I think corporate America did the right thing in stepping forward, trying to meet the moment.

I think the challenge in 2021 is to shift from what I would call pity to partnership. We've got to move now from a kind of grievance-based set of concessions that were really rooted in an awareness of injustice in the present and the past. That was a very important moment, but that's not sustainable. I don't care how sorry you feel for your neighbors, there's only so much pity you can generate from somebody

who's not directly related to you and even your cousin gets on your nerves. So, you can't just stay in a pity based, concession-based model. You've got to move to an asset-based partnership model that's rooted more in opportunity now and in the future.

And that's the challenge, because partnerships are sustainable, especially when they're asset based. We've got a whole bunch of people who came in because they were feeling selfless and generous. I want people to stay because they're feeling selfish and greedy and think, "Hey, this is a way for us all to make a ton more money by tapping the wisdom and the genius and the markets and the talent that's been left out for too long." I want people to think, "I can make a lot more money, get into a lot more, great partnerships. My company can be more competitive. I can have a lot more fun if I crack this sort of diversity thing," not out of pity, but out of partnership. Not out of trying to help somebody else. That's good to do, but also trying to help my own bottom line.

KK: And so do you think that what actually happened in terms of entering into these partnerships, in terms of joining these initiatives and the like, enough of that has gone or enough of a base of that has been established for this to be sustainable once sort of the headlines have worked away and all kinds of new challenges and objectives arise for corporate leadership? Do you think that base has been sort of irrevocably established?

VJ: Well, I hope so, but I don't know. Here's what I know has changed. You've got a bunch of consumers out there that are asking questions, and they're on social media and they want to know, where are you on race? Where are you on gender? Where are you on the environment, ecology, climate? So, the consumer has moved, and I don't think they're going to move back to where they were a year

ago or 10 years ago ever. I think you've got a bunch of pools of capital, pension funds and others, that now have screens. They used to have these kinds of funds off to the side, now bigger and bigger pools of capital have screens on them.

So, if you want customers or capital, which you should want, you're going to have to be able to answer these questions. If you want to be able to answer these questions in a way that's other than just checking the box and tokenism, which is going to become less and less tenable and more and more easy to expose, I think people have to take this as a springboard into a deeper engagement, with the promise of more customers and more capital, but as a springboard and not as a kind of a resting place. Well, now we've arrived. I think that mentality is going to get you the worst of all possible worlds. You'll do just enough talking for people to ask what you're doing, but not enough doing to satisfy the next question.

KK: You know, Mark, I'd love to hear your thoughts on this as well, but I want to also broaden the discussion here a little bit to this point of all of the different issues that CEOs are facing going forward and boards and so on. And obviously, as we think about what's to come, companies cannot fully prepare for every eventuality, right? Or, every black swan event or black fat tail risk. So, what are the lessons learned here? I mean, some industries, you know, we're utilizing one that did very well right now, right? Video conferencing. Some industries did better than others, like hospitality due to circumstances, but within industries, some companies did far better than others, due to preparedness and/or management skill. What did we, what did you learn about leadership that can be emulated going forward, particularly when we can't lose the momentum on the stuff that Van is importantly talking about here?

Mark Weinberger (MW): Great. Kevin, your initial question, though, I'd love to respond to as well, which is how did the corporate community perform? If you look at the magnitude of this pandemic, where businesses were mandated to shut down and overnight, we were basically changing the way we interact with each other, the way that consumers and customers buy goods, the way that workers work, the way that companies communicate, and the resilience that we saw and how fast, frankly, government moved to come up with a sweeping set of one after another packages to provide for security during that period, I think it's rather remarkable. And there will be a lot of history, I'm sure, case studies of this time and comparing it to 2008, 2009. But I would say, firstly, the boards I'm on, the companies I've got to experience, work with, the move towards no matter how difficult the business situation, whether you are a hospitality company or not, whether you were frontline, a hospital, taking care of your employees became first and foremost what people did.

And it was remarkable in my view to see how companies responded in a positive way, how frankly, government, Democrats and Republicans, came together to actually get some much-needed relief out there and are continuing to do so. That said, I think we have to recognize that all the issues that were put on pause, the ones Van just mentioned, social unrest, the income inequality issues, the political divide in this country, the differences geographically of where you're located determines your outcome in life sometimes, those were put on pause during the pandemic, but they didn't go away. And so, what I look at going forward, if you look at after 2008 and 2009, the financial crisis, shortly thereafter, we got Brexit. Donald Trump was elected because people wanted a non-politician and a completely different way to do things. We got the yellow vests in Europe. We saw all these issues come up after the financial crisis from before.

And when you look at World Bank, IMF studies, they say after a major meltdown, whether it be financial or pandemic, that we see social unrest rise, 20%, 30% in the next five years. I'm guessing these issues are not going away, as Van just discussed, and that it will continue to take the partnership between government and business, staying focused on these issues to deal with it. And they're going to, in all likelihood, get worse before they get better. Because while we're expecting a very good 2021 at a 5% to 6% growth rate that's being predicted, and even through 2022, the sharing of that wealth is still very unequal. And we know that the asset owners are getting richer and the wage earners are still struggling, and those issues are still going to have to be addressed. So, that is, I think, something that is going to require a continued focus and fortitude. In answer to your last question real quick, Kevin, what you saw was obviously companies who I share in the speeches I give and the talks with the boards I'm on, and we look back.

Well, nothing could have prepared you for the moment of the pandemic. On the other hand, everything you did to that day prepared you for it. And those companies that were resilient, were not highly leveraged, that had management teams that had a good culture, that had the ability to look just beyond quarterly financials and have a business model that was innovative for the longer term, those are coming out stronger. And there's study after study also that would suggest that when you hit the downturn, those who had massive layoffs, cut way back are going to have a harder time coming out of the downturn. Those who were able to keep employees on, assume lower profits, continue to do the right thing will come out more quickly, because they won't have the holes in the client service and the supply chains that are going to be necessary to succeed. So, we'll see a lot of good lessons learned on leadership coming out of this.

KK: Yeah. Your comments make me think of General Eisenhower talking about preparing for war. He would always say that plans are worthless, right? The plan goes out the window the moment the first bullet flies, but planning winds up being everything, in terms of being able to weather the storm. We're going to focus most of this conversation on corporate America and corporate preparation and the like, but I do want to digress for a moment and turn to politics for a second here. Guys, looking at the president's agenda, the \$1.9 trillion Recovery Act was just passed along party lines, but clearly with a lot more broad support among the electorate.

The focus now is going to turn to infrastructure as part of a \$3 to \$4 trillion proposed stimulus program over time. Now, I want to get to the spending on it here for a second, but for a second, I want to focus on how we're going to pay for it. So, Mark, not only did you run EY, but you were also the Assistant Secretary of the Treasury for tax policy under President George W. Bush. How should we be thinking about this? In broad terms obviously, we're hearing about corporate taxes and taxing the rich, but talk about the process that you're expecting to see here.

MW: Sure, Kevin. Well, this is where it gets hard. It's easy to give away \$2 trillion, it's harder than you would think, I guess, and it always surprises me when I hear how if there's bipartisan agreement that this is a popular bill. Well, sure. Everyone is pretty much getting a lot, frankly. And this is on top of what went out earlier in the year. The hard part now comes from long-term changes, and as Van was talking about, partnerships going forward, infrastructure spending that's more permanent than a stimulus or a payment for helping people in a difficult time. And we do have \$22 trillion in debt now. The deficit is adding \$3 trillion a year. It's quite a remarkable situation. And while

many people now suggest because the cost is so low of coming out of the new debt to fund what could hopefully improve the GDP in the future. It's a good time to spend money.

Should interest rates go up, let me say, when interest rates go up, it just becomes an insurmountable burden. So, what you are going to see is both parties starting to say, how do we fund some of these investments and not just continue to write another check for what the future generations are going to have to pay. And that's where it gets hard. And in 2002, like today, Kevin, we had a 50/50 Senate and we got through, in the first six months, a major tax bill and it got 12 Democrats and most of the Republicans to come together to do it. It was more sustainable than doing something by party line vote. So, it really is possible to do big things in a split Senate. There's no doubt about it. It was a very different time, it's much more politically divisive now, and it was a tax cut, which is easier to do than what they're going to try and do here.

I think the balance is going to be, a lot of people criticize the 2017 tax cut but we can't ignore the fact that all, even President Obama, talked about the unequal-ness of the U.S. tax system compared to our global competitors and the fact that we had these companies that were being taken over by overseas companies, we had companies moving overseas, we had low investment in cap ex and lower employment. After the 2017 tax cut, we saw a complete reverse. We haven't had any foreign acquisitions of U.S. companies since then. We have actually seen the lowest level of unemployment before the pandemic for all cohorts, minorities and others, and we saw a boost in cap ex. If you start to raise taxes, which is likely to happen here, you've got to be very careful you don't unsettle that again because what's most important and what President Biden has talked about is creating jobs and particularly green jobs and other things.

And jobs are going to be dependent upon whether corporations can continue to fund that. So, I think this is going to get really tough. I think we have to raise revenue to spend the money that we're going to want to spend. Another \$3 trillion, you can't just do that. So you're going to have to get the money from somewhere but they're going to have to be very careful about how they do it and I think they have to recognize that jobs are really what is going to prevent further income inequality and you've got to make sure you don't lose those during this time. And so, I think this is where it's going to get hard.

KK: Van, anytime there is massive spending on infrastructure there's obviously the risk of the proverbial bridges to nowhere, but at the same time, and perhaps especially with this president, there's an opportunity here to reorient the backbone of the economy, not only to a 21st century footing, but in a way that that tackles chronic inequities that have been exacerbated by the existing infrastructure. What are you hearing in Washington? Are we heading down a path to get this right or is it way too early to pass any judgment on that?

VJ: I'm happy to be a part, quietly, of several bi-partisan conversations at the congressional level and even at the grassroots level on issues like how to embed more climate solutions in any infrastructure. And what I would say is that we've got a couple of what should be galvanizing Sputnik-type phenomenon happening right now. You remember Sputnik, the Russians got the jump on us in space, and it galvanized the whole country from the Academy, the private sector, government said, "We've got to catch up," and that desire to come together and do hard things, the entire economy benefited from for generations and so did the United States from a geopolitical point of view.

We've got around 27 Sputnik moments. I mean, just if China beats us on AI it's game over. If suddenly Chinese firms and Chinese military can think 10 times, 100 times, 1,000 times, 10,000 times faster than everybody else you're living on a different planet. That should be enough to galvanize a massive investment in research and development, in education for STEM, etc. Just look at what's going on with the climate. This summer it was more than 100 degrees at the North Pole. There were moments where there were parts of the North Pole that were hotter than the Sahara Desert. You look at Texas, it was subzero when Alaska was temperate. That's not the planet you were born on. You live on a different planet than you were born on and that's getting worse.

And so, talking on a bipartisan basis, we're talking to red state Republican ranchers and farmers who are getting clobbered by droughts and floods and fires. They want to do something. You've got a lot of veterans coming out of the military. Every Pentagon scenario talks about climate disruption as a massive threat to U.S. military interests. They want to do something. These are Republicans and you also have young libertarians and conservatives who believe the climate science. They may not agree with AOC's Green New Deal, but they want to do something. So, you're beginning to see, quietly and behind the scenes, people trying to figure out a way forward and maybe you don't call it a climate bill maybe you call it an infrastructure bill. Maybe it's not a one big package. Maybe you smuggle it into a bunch of things, but there is some reason to hope. But what I want to say is key here is in order to meet any of these challenges, especially from a U.S. perspective, we're only 300 million people.

There's a billion people in China, a billion people in Africa, a billion people in India. We're a little country. We have got every kind of human being ever born in one country. We're

the only house where all of God's children live together. So, you've got tremendous potential, but we have got to stop wasting genius. From Appalachia to the hood we've got bright kids, amazing kids, creative kids who are just stuck in systems that don't work and chronic disinvestment and the solutions aren't going to come from them. I can tell you from being in all parts of the country dealing with frontline folks, the amount of wasted genius and creativity because we just don't have the ladders, enough rungs on the ladders, to get the talent to where we could make a tremendous difference is just criminal. So, I do think that if we can get away from the Twitter fights and the nonsense, focus on the big threats and the big opportunities, include everybody, have public/private partnerships to get there we can get a lot done in the next 10 years. It's not a given, but it's possible.

KK: You've just brought up several things that I'd like to unpack. So, let me start with this, because it was sort of your last point. I mean, one of the paradoxes, I guess, of what happened over the last year, on the one hand we had this remarkable, the unfortunate catalysts of course, but a remarkable social justice movement that has resulted in some serious commitments being made by companies that you've already talked about. On the other hand, the conditions under which kids are being educated under this has only been exacerbated by the digital divide.

Kids who have been in the classroom versus kids who have not been in the classroom. People who had Wi-Fi at home, people who didn't, people who had parents who could keep them focused on the Zoom school versus those who were there alone. High school kids able to focus better, little kids with lower attention spans. We're going to be paying this price for years to come even if the general economy gets back to running in the relative near term here.

But to your point, this is the pipeline that is being built for corporate America and for the engine of our economy going forward. So, the economically disadvantaged, got economically more disadvantaged in this situation. How are we going to close that gap, particularly when the need to prepare for the 21st century economy jobs, which are not the old economy jobs, is becoming ever more acute and what role corporate America plays, because they've got a huge interest in building that pipeline, and consumers who can spend money on their goods? Maybe start with you, Van, but then Mark, I'd love to hear what your thoughts are on that as well because I know you've talked a lot about this.

VJ: Well, I think the most important thing I can say about it is that we can't not do it. We have to do it. Broadband for all as a goal that both the public and private sector can come together to go after would be a tremendous accelerator for everything good in the country, from telehealth to telelearning to new business creation and formation. And that's something that we should go after. The Federal Government took the lead on making sure that there was electrification and highways for everybody. So, there are things like that that can be done that help red states and blue states, that help blue cities and red counties, so therefore could be politically viable and should be. The one thing I want to say from a mindset point of view, especially for corporate leaders, is I think we do ourselves a disservice when we pretend that including people from non-traditional backgrounds, whether you're talking about race or gender or they went to a different set of schools, they grew up in a different part of the country, that inclusion should be easy.

That it should be easy. It's just we're one workshop away, we're one election away, if only we didn't have a few bad actors or somebody with some bias in a meeting, it would all be fine. I just want to say this stuff is hard. Especially

in a U.S. context, again, every kind of human being ever born living in one country trying to do so on a free market basis and a democratic republic, that's never been tried at scale ever. We just started trying that in the U.S. in the late sixties. I mean, they shot Dr. King in the face in 68 for talking about this stuff. So, we've only been doing this even in the U.S. for a couple of generations. It's brutally hard. If you know it's brutally hard then you put the appropriate amount of resources, you have the appropriate amount of patience and determination to get it right.

On the back end, the payoff could be incredible and will be incredible because we're already learning that when you have more kinds of brains around a problem you can solve them faster. We have so many big problems to solve we've got to get those brains around the table. You've got to put the effort to make sure that you can work together as a team. But once you crack that teamwork, and I'm telling you this from experience having passed 18 bipartisan criminal justice bills in the Trump era, in tough States like Louisiana and Georgia, once you cross the threshold and people are working together well it's unbelievable what you can get done. But the idea that it's easy is, I think, our biggest enemy. If you know it's hard but worth it, you put the right effort towards it, and you can get there.

KK: And Mark, what are the practical things that corporate America and other large employers can do here? We put so much emphasis, for instance, on college education. And obviously the data will show those who are college educated versus those who are not, and how they do. But it seems to me that as we look at college debt and all of this that there's a corrective that's necessary and one area that seems potentially right to me, and I think it's a good moment because the First Lady, Jill Biden, is a professor at a community college.

The two years in community colleges can play such a role in helping reorient workers into the new jobs of the 21st century and they're important because they are in the locations where people currently live as opposed to economist sort of assuming that there's this fungibility and people can move to where the jobs are easily or want to move to where jobs are easily and that's not always the case, obviously. But this requires partnership between the education system and corporate America, which knows what its needs are going to be, and the education system, which can help prepare those people. What are the practical things that can be done here?

MW: Yeah. So, it's a great question and you're absolutely right, only 30, well, I think 32% of eligible Americans, actually get a four-year degree. The vast majority of people don't. And if you don't focus on those people, you're leaving out the vast majority of Americans. Eighty percent or so of first responders went to community college, 50% of our nurses went there. So, it's incredibly important to have alternative career paths, and unlike Germany, where they recognize that both are equally terrific opportunities for young people, we in the U.S. somehow have always said, everyone should have a four-year degree and if you can't get one, then you get something else, which is not the right way to approach it. I think increasingly, Kevin and I can tell you from my days at EY, we spend a half-billion dollars a year training our people and most of our people had graduate degrees.

It is now lifelong learning. Upskilling, reskilling for the future will change so often. When I did commencement addresses, what I tell young people is, you will go into a job that doesn't exist today, using technology that hasn't been invented yet, to solve a problem we don't know we have, so what are you going to do to prepare for that moment? And it's not a

certificate, it's not a degree per se, it's skills. We have to focus on skills, and to your point, business understands where the needs are. I sit on the board of the Greater Washington Partnership, which is all the major universities here in the Washington area and all the 35 CEOs of the major businesses. And we work together and came up with something called Co-Lab, where we basically will help develop curriculum for the university that they put in.

We will send people there to help them teach. We will have experiential development so they can work with us, and then we will commit that they'll give those people who graduate in those programs, a first look in priority for hiring. It's that type of partnership where you take practical, real-world skills and move away from this idea that it's just a very expensive degree that gives you the ability to get into the workforce. And that's going to help change things. One other point, Kevin, I'd like to just make is, I agree with Van, and I'll go back to my EY experience. When you turn these kinds of ESG topics that we talk about a lot, from a check-the-box regulatory requirement, and people understand the business benefits of a diverse workforce. I use the example of airbags. Airbags were created, and when they were, it didn't work for women and children. Why? It was designed by men who didn't think about the smaller body types.

And they were actually hurt. They had to go back and very expensively recreate it. One of the best inventions of all time and it would have been better if they had more diverse people sitting around the table designing it. Same with the voice recognition software, didn't recognize accents of women's high-pitched voices when it was first created. Getting the right people around the table, asking the right questions, will always give you better answers. When business leaders understand that, and they're starting to, I think, fully appreciate it, then they're going to recognize that this is a business issue, it's not a check-the-box issue,

and then it will become more ingrained into how they lead. But it is hard work. You have to measure diversity, you have to measure inclusion, you have to measure all these things that are nonfinancial costs that will turn into benefits, like you do numbers. Otherwise, they won't get done, they just become the residual. You have to have affirmatively thinking plans, processes, and accountability. And when you do, great results happen.

VJ: I want to add one thing to that. And amen and hallelujah to what you were saying. And then there's this other dimension that I think we're starting to run up against, which is just this human dimension of it. Change is hard on people. I'm looking at what's happening in the political environment. I'm looking at what's happening in workplaces. Even change that you want is hard. My older boy is turning 17 this summer, he's being recruited by Dartmouth and Stanford, and he's a brilliant kid, he's a wonderful athlete. It's amazing to watch him. This time next year, he's going to be walking across the stage, God-willing. We've been working for this for almost two decades. We're going to be crying our eyes out. It's going to be horrible, and we've been fighting for this since he was born.

Even change you want will break you to your knees. Now you're talking about technological change, ecological change, demographic change, linguistic changes, what you can say, what you can't say. And it's all coming down on people so hard and so fast. And we can talk a lot about rage, why are we having so much rage? A lot of this rage is just unprocessed grief and fear. And if you're not allowed to talk about the human dimension of it, it's that much harder as a leader to get people through it. We're asking people to have empathy for people that they don't know. Okay, if you're a straight, white guy, we want you to have empathy for the black woman. That straight, white guy may not have empathy for himself. He may not have been taught to have empathy for his spouse, or he

may not think anybody has empathy for him. You're now starting to hit the human limits to what we can do. We're going to have to have a 2.0 or a 3.0 approach now, that's much more emotionally intelligent, that's much more capable of understanding the rates of change that people can sustain, and what they need to be able to change. Because we can't back off and we can't slow down, but we also can't keep doing it the way we're doing it, where there's so much rug burn and fear of cancel culture and all this other stuff. Again, this is not going to be easy, let's put our best minds against it. On the other side is tremendous payoff, I can tell you, and I've seen it in politics now, even during the Trump era. But there's a human dimension to this as well. You have got to measure it, you have got to hold people accountable, but you also have got to hold people, and that's going to be the challenge.

KK: I agree that it's all very, very hard, and not to diminish the challenges at all, but one of the remarkable things that happened during the pandemic, and I'm not just talking about in the United States, globally. The pandemic, when we were facing a somewhat existential threat, if you will, people can change their behavior on a dime when they are forced to. And in fact, those who changed the most, looking at some of the Asian markets as an example, where they really shut down and flattened the curve, they were the successful ones in this. So, I think it can be done, but it requires rowing in the same direction, number one, but it also requires real leadership. And I want to turn to something else you said, Van, for a moment here, which is that you brought up AI, you brought up AI in the context of these next-gen 21st century technologies and we were in a race, say with China, on that front.

And it comes back to the question of government and government role in industry and in life. You know, what makes

AI work, it's a function of a superior algorithm plus massive amounts of data, right? Every single morning, 1.3 billion Chinese wake up and they turn on their phones with absolutely no expectation of the privacy of that data. That is a very different set of expectations in the United States and in say, Europe, right? So, the data amassing by Chinese companies in the AI field is massive. My point is that we need to work in concert with government to make these big changes. You referred to the Sputnik moment earlier. And it raises the question again of industrial policy, which is kind of a bad term traditionally in the U.S., but Operation Warp Speed, the SpaceX launch earlier last summer, these are phenomenal examples of public-private partnership on big, big issues paying off. What do you think that right balance is, and do we need more of it, even though we are in this polarized political moment? I'd love to hear from either of you or both of you on that.

MW: Yeah, I'll offer. I think, because I'm just telling you, I had a wonderful, humbling opportunity to be at the front seat of watching the vaccine rollout and what happened. And it is a great story, I thought you were going to mention that. Government frankly, and private sector, coming together to do a vaccine in a year, three companies, more are coming, and that would have taken 10 years. Nobody could have done it alone because you first got to come up with a vaccine, then we've learned, you've got to distribute it. And the government, years ago, played a huge role in helping to start with basic research, some of these vaccines. The individual companies came together and put their people on it 100%. Then we saw Merck and J&J come together and Merck's going to distribute J&J's vaccine. You had the World Health Organization with all of its blemishes and everything else they say about it, came together to help globally coordinate.

But it's a great story of how government and private sector can work together and they do need each other, because neither could have gotten where we are alone. The last point, I'll let Van speak to this, with China though, you're absolutely right. China plays by different rules. They have corporate espionage, illegal surveillance, they have blurry lines between public and private sector. We know that. And if the U.S. wants to continue to, as Van was saying earlier, with AI and all these other things, be a leader, it's going to have to figure out a way to get more coordinated. You do need competition, it has to be private sector in my view, that's why we're the most innovative country in the world, because we have a great, thriving, private sector of competition and innovation here.

But we have to be recognizing this is a national strategic asset that the government needs to support in terms of policy, whether it's on the privacy side, or whether it is with more national, not state regulations, or whether it's on the funding side, and recognize that if we lose this battle and standards are not Western standards for global technology, we will not only not compete, we'll be left behind. We have to work with other countries around the world to come up with these global standards, and that's going to take government and the private sector figuring out what they are and what they should be. And that's got to be a high priority, I know the Biden Administration is focused on it. We need to do much more of that in my view.

VJ: I agree, and I think a lot of these terms, industrial policy, you've got a bad name. I think it's time to erase the chalkboard. Part of the thing is just a timeframe that most leaders are stuck in which doesn't allow for thinking at the right level. The indigenous people talk about seven generations. Our friends in China, thinking decades and centuries terms. We, at our best, can think in four-year terms, the presidential, or two-year, with the midterms,

or quarterly business cycles, or sometimes 24-hour news cycles, or sometimes Twitter cycles. So, we're trapped, you try to run this thing on a free market basis where you have got to be responsive to a bunch of stuff with elections and investigations, and in court. We're trapped in these decision-making frameworks and time horizons that just don't meet the moment when you're talking about the new geopolitical reality, and the new ecological realities, and the new demographic reality.

You've got to figure out a way to allocate a certain amount of your time as a leader toward the future and toward the internal partnerships. I guarantee you've got some interns, you've got some secretaries in your organization that should have been CEOs, but because of their race, or their gender, or their educational background, nobody knows that. You've got some nurses that should have been surgeons. You've got a lot of talent out here that's just being wasted and sidelined based on old think. You have got to fix that internally. And then externally, there are partners in government and elsewhere, especially when you start talking about supply or diversity, that could really help us get our heads above the horizon, look out at a future, and then figure out where we want to go.

But I think when you now say, "Well, you can't use the term industrial policy because that's going to scare people. You can't use this term; it's going to scare people." I don't think these terms apply anymore. You just can't win. At the end of the day, there's only one term, it's called winning. And you just can't win without rethinking a lot of these old ideas and assumptions. And the people who are willing, I think, to reach out, work with...hey, and the other great thing about the vaccine rollout, you had competitors working together, you had cooperation at the highest level, under the biggest spotlight, with the most at stake, and it worked. Look guys, there's going to be a

tremendous reward for leaders who are willing to think outside the box. It's always true, more true now than ever.

KK: A lot of what we've been talking about, a lot of what both of you have been talking about, is relevant to the big concept of ESG. And Mark, you sit on the board of Johnson & Johnson and at the moment, Johnson & Johnson is a heroic accompany, thanks to its one-shot vaccine and the work it's done. But Johnson & Johnson has had a credo for 40-plus years, going back to the 1940s, rather. I believe it was the son of the founder, right? The credo of how that company was going to behave and its position in society, and that credo, all that's been evolved over the years, is something that would be recognizable to any ESG specialist today. And I know that you also have done a lot of your work with Evelyn de Rothschild or Linda Rothschild, rather, on the pull value of all of this, right?

The long-term value creation by doing the right thing and recognizing these trends. We seem to be in this moment where there is regulatory pressure, there is investor pressure, there's media pressure, there's consumer pressure, stakeholder capitalism in other words. Do you guys feel that this is, that the train has left the station so to speak, this is real? Or how concerned are you that investors are playing with house money so to speak, because we've been in this long bull market with essentially free money coming from the fed and other central banks. And in a prolonged market downturn, focus may turn away from these essential components of building us up for the 21st century as you've both been talking about. Anybody want to take that one?

VJ: Look, it's conceivable that you're going to have some firms that think this is all...at the end of the day, no matter how many press releases or social media posts, this is all fluff

and stuff I got to do just so I can keep people off my back so I don't get sued, so I don't have to hear a bunch of crap on social media or deal with nonsense from my grandkids.

There are people that are going to think that way, I think those people are going to be the dinosaurs, and as you go forward, because I think that the expectation of consumers and the empowerment of consumers through social media is a factor that wasn't present in any other round of this. There are different moments where social issues, racial issues come to the surface, but never like this.

And so, I do think that, from a defensive point of view, you're going to get punished if you throw this stuff overboard. But I also think from an opportunity point of view, the tighter things get, the more innovative your firm needs to be. The tighter things get, and the tougher things get, the ability to solve problems becomes a premium. And what we're seeing over and over again is that diverse teams, properly managed, solve problems way better than any other team. And so, I just don't think that the demographics and the psychographics and the economic performance are going to let people off the hook. There'll be people who try it, but my prediction is that they'll regret it.

MW: Yeah. So, I would agree with Van here Kevin. ESG is an alphabet soup of different things all muddled together and everybody actually has their own prism for which they look at it. Some are environmentalists, some are on the social justice, the S or the S could mean your employees and G is governance and what does that mean? But regardless of how you define it. I was on the Business Roundtable board of directors, when we came up with the stakeholder capitalism proposition. Alex Gorsky from J&J, Jamie Diamond, Mary Barra and myself helped draft it. And it was real, and the difference now, I think, where we're going with ESG is what Van said. I mean, the ability for consumers to, on social media, organize, the ability for your employees to have groups

internally in your organization and externally to apply pressure, the investors that can come together and have a voice, are putting more accountability on the backs of corporate America to, not just do the right things, but now explain transparently.

And what you're really seeing, and I think driving the change is also these institutional investors. And listen, we could have a longer discussion on how valid they're really putting their money behind what they're saying, that's a good question. But Larry Fink's letter or Vanguard or State Street or even Carlisle coming out and saying that they're going to have different rate lending fees to diverse boards versus non and Goldman not taking someone public that doesn't have a woman on the board. You're seeing a fundamental change and for the good, and I think we need market-based solutions here eventually over time, like financial standards, we will have to get commonality to really assess and understand what companies are doing so investors will have that information.

In government, we saw from the SEC statements recently, they're going to want to get involved here. My fear, and I guess my hope would be that it doesn't become government mandating some things that aren't as relevant and important to business doing what they should do, but rather the stakeholders should be continuing to hold accountable business leaders and with more transparency and information, and then vote with their shares and vote with where they work and vote with what they buy, to make sure that this continues to move in the right direction.

KK: And do you feel like on the one hand, you're seeing a lot of CEOs put out statements that, "Our company is going to be net zero by 2050." I mean, one of the issues we've got to still deal with on this front is the taxonomy. Net zero doesn't always mean the same thing to everyone,

for example, but let's just take it for what it is at the moment. "We're going to be net zero by the year 2050." Well, that CEO is not going to be in that position in 2050, the board members aren't going to be there in 2050. Is it really going to require still all of the pressure from these various stakeholders or are you getting greater comfort that the momentum within a company and institution itself is going to be perpetuating to keep moving in that direction? Or is there more risk there?

MW: I'll be quick, Van, and I'll turn to you. But I would say what we're realizing now is that companies are seeing the risk side, it's not all about just PR. I mean, you've got Bank of America put together a whole list of 95 different items that are from public information that are ESG type areas that would determine they say to 90% plus accuracy whether a company will go bankrupt over the next many years. You can look at the average life of an S&P 500 company. Today is around 15 years, used to be 30. These are companies that are not de-risking. And what you're realizing de-risking isn't quarterly financial numbers and hitting your earnings every quarter, it's these longer-term strategic assets, your people, your supply chains, your community reputation, your IP, that don't sit on your balance sheet. Risks with the environmental areas. MetLife, whether we're insuring businesses that might be on the waterline and might not be around if the environment goes bad.

All these factors are now coming into the boardroom discussions that I think, with technology, we can measure it better, understand it better. And as Van said before, they're going to be held more accountable by all these stakeholders. And so, I think it's real, and I think you have to be transparent and have KPIs. You can't just say, "Trust me." You have to have KPIs that you're going to produce on a regular basis for people to evaluate.

VJ: There's not much to add to that. I agree with that 100%, and look, I think that the statements are good. Some people are like, "Oh, we don't like the statements," but then if they hadn't put out statements then, "Well, you don't care." So, it's just like heads I win, tails you lose. So, I think the statements are good, were good. They create a North Star. But then I do think that the follow-up has to be there. And from my point of view, culture changes, which then changes the economics and changes of politics. The culture is changing and it's a one-way ratchet. I don't care how much backlashing you see and how many bad elections you don't like. If you look at where the culture is now and where it was 10 years ago and where it was 20 years ago and where it was 30 years ago, it's moving in one direction, which is more inclusive of valuing more people, more perspectives, more ideas, more backgrounds, and that's not going to stop.

And that's going to then change the way that politicians perform, you'll have some that try to get a benefit by being backlashers against it and there will be others who try to surf it forward and it's going to change the way the corporations have to interact. But the big dynamic, especially the younger you go, I don't care where you are in the western world right now, every kindergarten in the western world now looks like the United Nations. I don't care what country you're in, every kindergarten looks like the UN. This thing is moving in one direction. And so, whoever can adapt themselves to that dynamic most aggressively can avoid a ton of risk, but also can pick up all of the benefits. There's so much opportunity in moving forward in this way that I think the check the boxers and the eye rollers are going to pay a price.

That said, I do think we need an upgrade. I think some of this diversity and inclusion stuff, it becomes the most hated workshop. It's, "Oh my God, I got to go to this thing. I got to sit there. They're going to say a bunch of stuff I

don't really understand or agree with. If I raise my hand and say something, I'm going to get shot down or I'm going to be called the names, I'm just going to grin and bear it." There's something wrong with how we're doing this, and I think we should be honest about that. There needs to be an upgrade and improvement, but there's no going back from where we are.

KK: So, you've teed up my last question to you guys, very well with that. It's funny, I was telling some colleagues the other day that I was going to have Van Jones and Mark Weinberger on this call. And so, one of them being very pithy, put it as, "Oh, so we're going to discuss how to audit the moral conscience of corporate America," which I thought was clever and funny. But here's the thing, 50 years ago, Milton Friedman laid down the marker that the social purpose of the corporation is to just make profit and to maximize profit. That is obviously changing, but we haven't come up with a succinct replacement that is as elegantly laid out, frankly, as he did. So, where do you think we're headed? What is the role of the corporation now going to be, if not that, and can it be succinctly defined, Mark?

MW: Well, I don't know how we can succinctly define it, but I would say, I think people who view stakeholder capitalism or shareholder capitalism, have it all wrong. The best CEOs, the ones who you would know and the ones who survive, recognize it's an add. You cannot have great shareholder returns if you don't have engaged employees and a diverse, inclusive workforce. If you don't have an innovative culture, if you don't have great relationships with your communities and a brand that sustains you worldwide. So, it's always been an add. And I think what you're going to see is the corporate community, business community start to talk more about not just the returns. I mean, this is an awesome responsibility, but it's given the license to lead. They're given the ability to be corporations for all the things they do. They

create products that make our lives better and services that help us survive.

They have the workforce that basically provides jobs to all of our people in America. But they have to do a better job and be realizing that they have to be accountable for that too. And so, what I think Kevin is it's not a succinct statement as you're going to see, the problem is with activist investors over the last many years and institutional investors focused on quarterly earnings, companies could have made some bad decisions for short term profit. That's reversing. You're seeing institutional investors reverse, you're seeing what Van talked about earlier, social media and other things put pressure on companies. They're going to have to make longer term de-risk investment decisions. And that is stakeholder and shareholder capitalism, not one of the other.

KK: Van, I'll give you the last word on this.

VJ: Well, what I'll say is that, before any of us have any of the other roles that we have, we're people, we're family members, we've got kids, we've got grandkids. Help is not on the way from states, help is not on the way from governments. Throughout the western world, we're having a democracy deficit, we're having political instability. We'll get something done every now and again but it'll get reversed. The only source of true strength right now is the private sector. If you look at corporate America, Silicon Valley, Wall Street, that's where all the strength is, that's where all the power is, that's where all the capital is, frankly. And with great power comes great responsibility, for anybody who likes Spiderman. I mean, that's where it's at.

And so, if we want to have a human civilization worthy of either name by the end of this century, the private sector is going to have played a massive disproportionately powerful role in this century versus the last century.

The last century was the century of states and citizenship, civil rights and independent struggles and government. This is a century about commerce and communications. And the people who control that are in the private sector primarily and they're going to have to lead, or you're not going to have a human civilization worthy of either name at the end of the century and nobody wants that.

KK: Well, gentlemen, this has been a fascinating conversation. A lot that we didn't even get to scratch the surface on, but I think it helped illuminate what's being discussed in C-suites and boardrooms. And I think it also illustrates frankly how big the challenges are. So, we are going to be continuing this discussion over time. I want to thank everybody in our audience for joining us today. I will remind you that we will be back next Thursday, April 1st at our normal time, 8:30am Eastern. My guest will be the President of the Council on Foreign Relations, Richard Haass. We are going to talk about foreign affairs, great power rivalry, the role of the United States in the world, it's going to be fun so please join us. But meanwhile, thanks very much to all for joining us today. Have a great day and a great weekend. Thank you to Van and thank you to Mark. Really appreciate it guys.



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