

Teneo Insights Webinar: A Conversation with Ginni Rometty

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Alexandra Lager (AL): Good day and thank you for joining today's Teneo Insights webinar. A recording and podcast of this call will be available on Teneo's website. And now I would like to hand it over to our host, Kevin Kajiwara.

Kevin Kajiwara (KK): Well, thank you very much, Alex, and good day everyone. Thank you for joining today's edition of Teneo Insights. I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory here in a very rainy New York City. Ginni Rometty is with me today. Last year, she retired from IBM after a 40-year career there. She was the company's ninth CEO and ended her tenure as the Executive Chairman. Under Ginni's leadership, the company was transformed into a software and services giant from its hardware origins. Optimizing that portfolio involved reinventing more than 50% of the

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company's portfolio and acquiring some 65 companies during her time as CEO, including Red Hat, the largest acquisition in the company's history.

She is well-known for being a leading voice on technology ethics and data stewardship, and for mentoring the next generation of leaders, particularly with her work to help enable people from diverse backgrounds and education levels, just to participate in the 21st century digital economy. And to that end today, she is the Co-Chairman of @One10, which we'll be talking about shortly. In addition, Ginni is Vice Chair of the board of trustees of Northwestern University, her alma mater, is on the board of Memorial Sloan Kettering Cancer Center, and she is on the board of JP Morgan Chase. And in addition to all of that, she is a Senior Advisor to Teneo. I am delighted to have her on the call for the first time. So Ginni, welcome.

Before we get into the leadership of tomorrow, I thought we might as well start with the leadership of today, because as you know, the last year has presented some pretty profound challenges for leaders of organizations of all kinds with a pandemic, with the impact on the economy and the preparation to recover from the economy, with the social justice movement, the election and its aftermath, human rights issues. The list goes on and on. There's been a lot of plates spinning for a lot of leaders this past year. In your view, how have they done? How has corporate America performed during this incredible period?

Ginni Rometty (GR): Well, Kevin, first thank you. It is great to join my first Teneo webcast, so my pleasure and appreciate everyone joining us together, you and I together. I guess I'd answer that a couple of ways. One, I have seen the Edelman reports on trust and they

would all tell you corporate America did really well and that people have the most trust in anyone, they have it in their companies now. So, if you look at it from an external view, I think that's one window. I think my own personal view is I think that corporate America did a great job, and probably because it had a very clear view of priorities, which the first was keep everybody safe. Then the second thing was contribute what you can. Just look at what all the pharmas did, obviously on the vaccine, et cetera. And then help everyone get back to work. And at the same time, try to reinvent yourself.

The other day someone was asking me about, all of us think back a year ago or a little bit more than a year ago, and I was on a CNBC. I don't know what made me... It popped up in my Apple phone as a little video or something about this and it showed me my video of what I said back in March of 2020. And people said, "Well, what did you think?" I would just sort of end answering your question with—it's interesting, what I said then was clinically true because I said, "Look, I would think there'd be three big changes as a result, corporate America, hybrid work, supply chain resilience," and I said things would be as contact free as they could be because obviously those who could operate that way did. Okay. That's what I said a year ago, all true still, by the way, I believe.

But I have a more interesting kind of nuanced view after. And I look back and I say, "What did the pandemic do?" And to me, it showed us that trust was underrated. So, I think now that it really put that in the center. I think sort of the top marks go to those who were most authentic during this time and you could really define yourself. And I think it put a really big flashlight on things that we're going to talk about, which is that how fragile the equality was. And on the other hand, gives us a big opportunity to fix it. And I think economic opportunities, one of the ways to fix it. But yes, clinically things you could see would change, corporate America saw that.

And I think now a really good side benefit is that point about people focusing on trust, people focusing on equality. And I would add one other point, which is I think everybody started to realize how they did things was almost more important than what they did. And so I'll end there.

KK: You've talked to me in the past about the importance of leaders being in the right place at the right time for a particular company and not every leader would have been as effective in that moment in a company's history. And as we think about the next generation of leadership that's coming up, one of the things that has always struck me about you as I've looked at your career is that you're kind of a rarity, not unlike another friend of our firm who has been on this program a number of times, Ursula Burns, in that both of you spent your entire careers built at those companies that you wound up being the CEOs of. And I think that there's always a tension there. On the one hand, at a moment of intense crisis or change in the global economy or in your operating environment, you know where everything, you know every nook and cranny of that company and you know where the bodies are so to speak. On the other hand, somebody who parachutes in as a new CEO of a company oftentimes brings a breath of fresh air and a fresh perspective to accompany. Talk about that. It's an increasingly rare CEO who's spent their entire career at a company, but what are the pros and cons that you've seen?

GR: Look, I think there's two sides to it. One is from the individual person, the others for the company. And you know that old saying horses for courses? I think it is very true that when you hire a CEO, you're hiring them for the next challenge, not what the company looks like today. Now back up though. Before all of us become that, why did you stay? When people were saying, "Why did you stay all that

time, 40 years?" And I would say I felt like I had many different careers in that timeframe. Any company, all they can do is you have to earn the right that I want to stay for one more job. And I would say that to even people who say they want to look, they want to leave, I say, "Look, all I need you to do is, I earn the right to keep you with every new job you take." I mean, you're going to make a decision every time.

And so on one hand for me, you ask why would I? That's a rarity. I think people stay if they keep getting new challenges. I think that's very obvious for anybody listening. Okay. Now, flash forward you said, and breath of fresh air and new eyes. I don't think it's about whether the person's new or old or been there or not, because there's clearly benefits to knowing how to get things done, particularly when your organization is of scale and complexity. So clearly benefit. But Kevin, I think the other way to look at it is that it's more about your mindset.

And I will say one of the things I learned in my time at IBM was know what must endure, have the wisdom to know what must endure and then be willing to change everything else. And I don't think you need to be new or old to the company to have that belief. I think particularly in these times, that's more the ethos that's needed for everybody, whether you've been with the company or not been, because pace changes so fast. So, it isn't just about changing people now. So it is more about your belief on that topic. That is a hard topic to come to terms with, but I think if you do, because people always talk about, even with me and you talked about changing 50% of the portfolio, it's easy to change a lot of things. It's way harder to understand what must endure and really kind of shine that and build off of that.

KK: So there were many, many changes afoot in the economy writ large that were already well underway. I know you've talked about this a lot. And all of those trends were compounded or exacerbated,

accelerated even by the pandemic and the experiences of the last year. And I'm wondering though, in this moment where also everybody from the Teneo's of the world and other companies that are looking for highly qualified individuals, down to every single Starbucks that you'll walk by here in New York City, there is a help wanted sign out there. But so much of this comes down to the preparation of our workforce in our future workforce for the needs of the 21st century economy. And this has been something that you've taken a leadership position on. You've talked a lot about new collar jobs, if you will, the reclassification of job descriptions and the like. But talk about this right now and how some of the initiatives you've been working on fit into all of that.

GR: Okay. So to your point, this is something I'm really passionate about, but I got to give you a little bit of history of what brought me to it. First there's a personal part, right? I was raised by a single mom. My dad left when I was 16. My mom was very young. The short of that is my mom had never gone to school and found herself with four kids and on food stamps. Now, my mother, I saw the value of an education. So I just want to park that thought. My mother had to go back to school to feed us, to get us off of aid. And I watched the difference of when my mother went back after it to get an associate degree and what it did. So this has left a mark on me from a very early age. So put that aside.

Now then go back 10 years. So here, kind of forget all this. This is 10 years ago, post the financial crisis. I'm trying to do hiring at IBM in technology, particularly cybersecurity. And unemployment is almost 10% in the world, in our country, yet I can't find people with the skill. Okay. You're like, "Okay, they are not to be found." So at that time, it started with a need that I needed people that could do this kind of work. And was there a new pool to go after? Park that. So we did. We said, "Look, what if

we went after associate degrees and went to certain schools, helped them with curriculum? Would this work." Now that'll come back. That will end up to be something very influential I think for the world to learn from because it worked. Park that thought.

Then the second thing was okay, now the digital transformation took on and I had a real fear, and do to this day, about the digital divide, that you have the haves and have nots. And in the U.S. you could see it. All the wealth, West coast, East coast. Middle is, I always say it's like as if time left behind in the middle of the country. You saw this with the politics, everything that happened. So it was a hollowing out of the middle—

KK: You saw it in remote schools in particular.

GR: Yeah, absolutely. And you've seen work MIT has done on the hollowing out of the middle where low paid jobs are on the rise or college degree, but boy, there's nothing there raise a good family in the middle. Then entered George Floyd and systemic racism that then puts a real spotlight. So I have these five dot points across my life that had pulled together this point to me that, okay, now I can give it a name and crystallize it for everybody that was called "Skills First," meaning even though I worked so hard to go to a great university and everybody's wish for their child is that in many, but that can you begin in just a different spot and maybe without your degree first if you have aptitude and you have some set of skills?

And so it was this paradigm we kind of coined called "Skills First," the idea that could I hire you based on your skills, not just your "credentials"?" And I won't even enter into the part about the U.S. has 180 billion of debt every year on this. And can every college graduate even get a degree? There's a lot of wasted money anyways. And so that's what has led me down this path of where we take

our conversation, but I want to pause. Yes, influence from my youth, but driven by a real business need. I needed employees that had a skill. And then third was I also could see this social issue that was going to be no good, because by the way, people thought technology was the root of this problem. And now they're going to hate this technology because they think they got a bad future because of AI and other things.

So to me, this was a perfect storm of things that gave me great resolve about trying to get the whole country on a movement to hire for skills first. And then we can talk more about it from there, but it's been proven now at scale in what we're doing.

KK: Well, so can you now draw that connection to P-TECH and that program? Because I guess the question I have for you is it kind of comes down to leadership. How do you get the entire organization to see things that way and to think along those lines? Because what's interesting I think for a lot of our audience is that IBM, of all places, is going to be seen as a place that would in theory require the most qualified and credentialed types of employees. And yet you made this leap. How does that happen?

GR: Okay, this will be, I think for everyone here, a really good point because in the move of doing this, when I could see that, geez, I can capture people at a different stage of life and bring them on, we had been 100% PhDs and four-year degrees at a minimum. 100%. And initial reaction, and I'm now, as I work with so many companies, seeing this everywhere. The initial reaction is, "Well, you're dumbing down the workforce. You're bringing in people, this is going to change who we are."

And so, how do you convince them? Because honestly, yes, it will change who you are. It'll make you more diverse, and it will make

you better. But I have to convince you, and depending on your workforce, analytical they are, right? And so just our story of how we got there, it doesn't need to be yours. And I'll come back to that.

We, at the time, started these schools called P-TECH Pathway to Technology Early College High School. What a name, what a long name. That's why it shortened to P-TECH. But the idea was, go to high schools in the worst parts of the world with a community college, they're called different things in different countries, and could you help them with... Give them an idea of a curriculum for what's in demand because you know how many schools do not teach what's in demand. Give them a mentor, electronically, of your employees, and give them a chance at an internship.

And I will tell you of those three things—curriculum, mentor, internship—the internship is what changes everything for these people. It's all first generation. And so we started that. Now this goes back 10 years. Fast forward today, there's 300 schools, soon to be 300, in 27 countries, pipeline of 200,000 kids coming through. But here's more of the punchline. We studied things like their innovation, their quality in their work. Because I have a workforce to convince that this is a good thing. I knew it was, it would make it more diverse because 90% were Black and Hispanic.

Next thing. As it turned out, we've measured their innovation. For the first year, it's slightly below our four-year degree employees, after, equal or above. Okay. Check. That is no longer what the issue is. Then next, guess what? Something I didn't expect. 74% went on and got college degrees. This is done in a different way, and we have had our first PhD.

So this convinced me of what I knew from what I watched with my mother. This was not an issue of aptitude. This was an issue of who had access to what. This is why I'm such a strong

supporter of this, and that next convincing point. If you now hire for skills, instead of just a degree, others have done the study that you say is 5x more predictive that they'll be successful, than just looking at their degree. More retentive and more loyal.

So, I'm like, okay, this is a very good thing for business and very... When do you get a win-win, good for society, good for business, good for diversity and inclusion and creativity. So if you're listening, I hope I've convinced you to give this... Now there's a lot of systemic barriers. Your job requisitions are a systemic barrier. We could go through what does it take to change your job requisitions? And even if you change them, I guarantee you'll still hire college grads unless you then change your management, train your management. You've got to match supply and demand, you got to look at new pathways. There's a number of things.

But circling back what you started the question on is also bias. And so in my case, it was a workforce that was very analytical. So we gave them data. And of course, I also said, "Oh, you don't get to just have one or two in your department. You're each going to get 100 because it's a cohort." Then they're not an experiment. They're a real, living part of your company. And so I would showcase these, we call them new collar. That's where you mentioned this word, for those listening. Again, everybody, I picked the name just because I was trying to get away from people thinking that if you don't have a college degree, you're blue collar versus white collar, to say, no, this is just a new category of student or employee that just happens to have come to us with the skills. We captured them on a different pathway maybe earlier, maybe later through an apprenticeship, and here they are. And that's why we call them new collar.

So sorry, you can tell I'm passionate. End of that story is 43% of IBM's job recs no longer

require college to start. And 15% of the hiring in the U.S. last year were these new collar people. And I know we'll talk a little bit about @OneTen. I know it from the work there that we're now working with 50 of the largest companies in the country. Everybody's all over the board on this topic. People say the words. They have not yet done the work of what it is to do this yet. So my view, we get this done across the country, this will be the best thing for corporate America and for diversity and inclusion together.

KK: You talked about some of the barriers. And I know that one of the barriers is geographic location of workers. Economists are always going to assume that there's this fungibility, people can leave where jobs are in decline and move to where jobs are growing. And we know with an increasing body of academic work on this, that this is simply not true.

So it seems to me that one of the things that you just focused on there was the role also of community colleges or two-year colleges, let's call it, that can play. And it's interesting that the new First Lady is a community college professor herself and is a big champion and advocate for this. But that they can play a very instrumental role in the retraining or the preparation for people within a community, who have... Perhaps their predecessors have all worked in a single industry, that either that needs to morph into a 21st century competitive industry, or there are new industries that are going to move in, but there needs to be a good relationship with those who are going to be doing the hiring and employing. Those employers need to give the message, "This is the kind of worker I need you to prepare for me." Is corporate America doing a good job of interfacing with those schools?

GR: Yeah, so this is a really good and interesting point for everybody on the phone. Because I'm not saying you have to build a

P-TECH program because P-TECHs only turn 1,000 kids. That's not going to solve this problem. In fact, all of us have our own program is the problem, and they don't necessarily scale. It is, though, about each one of us locally working in an ecosystem, in whatever the programs happen to be, to do what you said. So in P-TECH we have 600 other companies working locally like that.

Now, I will just say something. I happened to last night, I grabbed it off my desk. I was reading... And again, I'm not an academic here. I know Adam Posen well, and I'm on the board of the Peterson Institute. It's called the Price of Nostalgia. It does challenge what you just said, Kevin. It says that this belief that people will not move for their jobs, in certain labor brackets, and then it says we should dismiss that notion. And that's part of how certain parts of this country were built. That huge populations migrated to do things, and that we should assist people to do that.

But generally what you say is very true, and that is why all this work is really pretty local, that you're going to public-private partnership, I guess, is the short answer to that. That any company today on the phone with me has got to take that up. Again, it's how they're going to get through our next workforce. So this is not ESG work. This is, to me, smack dab in the area of if you have a productive workforce and a country.

And so, when 60% of Americans do not have a college degree, there is not time to catch this up. And it'll jump us to the topic of, if I might on racial equality, this is how this group we're in called @OneTen was born because of like-minded, when the killing of George Floyd and a number of the different things that issued around that. People are making lots of commitments, saying lots of things. And I'm a big believer in diversity and inclusion when it comes to authenticity, accountability and just action. Action. And the best thing business

can do is what it does, is hire. And so, for Black Americans, the best thing we could do is provide economic opportunity. I believe it's the great equalizer of all things.

And so in particular, when I say Americans in general, 60% don't have a college degree, 80% of Blacks don't have a college degree. So McKinsey did a study. If you want to get parity in a work, it'll take us 100 years unless we do something. So this is so obvious to me as a good thing to do for a particular population, as well.

But one other thing about this mobility point in community colleges, sorry, I circled off a second there, but really interesting statistic, I think, for everybody listening. I was talking to MIT who was doing a study on future of work. And I first, I was like, this idea that 60% of Americans don't have a college degree, after we put \$180 billion of federal aid a year into this quest, I said, "What do the other developed countries look like? Is it the same? Are they much more?" He said, "Oh no, it's actually pretty close to the same in the other developed countries."

One big difference. Things like apprenticeships or going into non-four-year degree programs, they are 19 times larger in Germany and 11 times larger in Canada than what the United States does. Isn't that interesting? And so, what they did was, they don't focus on just college to an exclusion. They focus on other pathways into the workforce to be productive, like you just said, and they really cultivate those, which is what's led me, as well, down the path. And again, not to shun the four-year degree. I'm all for them. Keep going as far as you'll go, but it's where you start.

KK: And it's also a mind frame, that the term vocational is not a pejorative.

GR: It has a bad connotation. It does. That's right.

KK: Yeah. So, you've mentioned OneTen a number of times. So perhaps I think there are probably many people on the call who are not intimately familiar with it. So maybe give us a little bit more, tell us a little bit more about it, what it is, what it is doing.

GR: Yeah. I hope I don't sound like a commercial, Kevin. This is a not-for-profit. This started... You will know many of the people I mention, and this was, I'm going to say like-minded, Ken Chenault of Amex, Ken Frazier of Merck. Charles Phillips, Oracle, Kevin Sharer of Amgen, myself, the founding fathers of this idea that said, "Hey, the best thing we could do for all of this around racial injustice is give people a really great upward mobile job. And start with the Black population, non-four-year degree." So this is where all my thoughts intersect.

And I fell in love at first sight on joining this, because I thought, "Ah, we can finally scale this thought." And the idea is one million over 10 years, I think we're going to beat it by far. But that was that's where the name came from, one million over 10 years, family-sustaining jobs. So not bad jobs. These are, depending on the part of the country, \$50, \$60, \$70,000 a year starting and upwardly mobile.

And we went around to all of our colleagues and said, "Look, we help work on the systemic barriers. And it means you've got to go, you've got to change your company, like I did, to 'Skills First.' Then you got to be willing to work local, like you said, form an ecosystem, and work locally with your colleagues in the community colleges and other talent providers." Because none of them are at scale. I was on the Reimagine New York reopening and big jobs as a big piece of it. And you go through all of the little groups and not-for-profits in New York that create credentials or skilling for people, and they do 30, 40 people a year. You're never going to get there at these numbers.

So we said to all our colleagues, Ken and I and everybody went around. So to date, we have over now 50 big employers. We're going to be moving to small and medium too, but we felt the big guys could really do the heavy lifting to start. And they have to make a commitment to hire, either 250 to 500 a year, a little ramp-up time, of non-four-year degree Black employees, change their job recs, work on ecosystem and then work on retention and promotion. And they've all... As CEOs, we always take our commitments seriously. They've made the commitments. And we've already, for the first 29 companies, gotten through the job recs that could therefore be changed.

We're already at 20,000 jobs at \$71,000 starting salary. We have 23 cities that will soon be popping up the second half now, where a CEO and a group of CEOs are going to all form the ecosystem and pop them up. So Mary Barra is doing the Detroit area, Ed Bastian doing Atlanta, Target, Cargill, I think Metronic are all doing Minneapolis, Brad with Amgen out on the West Coast, or others are joining a group, or else J&J is going to run the military connected group in some way.

And we are ready to hire. And what we really got into on this... And we'll soon have 25 talent suppliers. So they range from Udacity to Merit America, and then community college, Dallas Community College... We're just getting this all... Actually, we're pretty fast. And we've got at least 100 million for the first year of seed money. If we need it, there'll be a billion over 10 years, but so money is not our issue. It's people committing jobs and we've got it.

So now you have what you said a minute ago. When you have demand, and when you have demand, you can shape up supply. This is our normal business because we go to these guys and say, "Hey, I've got 1,000 cyber jobs in Atlanta. Will you four and you three do this? If you do it, I'll hire these people. I have the jobs ready to go."

And like I said, hiring starts this month already. We have a tech platform to do it. So I am so excited about the progress. And if anyone on the phone wants to join, I hope I'm not losing people on my... Whatever you do, do what's actionable is my point. And if we can help you lift the boat, because what we found is people will say, "Oh, I'm doing some of this," but they're all quickly learning. Their HR groups can only work with four or five of these suppliers, not 100. We will lift the boats.

And by the way, then people say, "Why only Blacks?" And we're like, "Look, we're going to start like a startup, focused, but as we remove all these barriers, we're removing them for everybody." So honestly, the net opens, and you catch. We're going to really help all the diverse groups as a result.

KK: So a lot of what you're talking about here obviously goes to taking down barriers and to lessening some of the many inequities that have prevailed in this country for a very long time. But there's another element, there's another collateral effect of what you're talking about, which is the competitiveness of this country as we enter the next phase of the global economy. I'm not just talking about corporate competitiveness. I'm talking about at a national level. Strategic competition, specifically in a world with an assertive China, right?

So as a member of the Council on Foreign Relations, you will have received, as I just did, their latest taskforce report, which is about China's belt and road initiative. They make clear in there, as have many others, that the Belt and Road Initiative is about much more than building infrastructure in the developing world. Right? This is about defining the rules of the economic operating environment of the future. It is about setting the technical standards, securing markets

and supply chains. Are we falling behind in this battle vis-a-vis China?

GR: Yeah. So look, I was a strong supporter of TPP, as an example, and made many a call in many a country and in our own country, from the president down. We were almost at that goal line on TPP because part of that answer on China is that you really want to be fully engaged, you want to have strategic competition with China, and you want to do it with your friends and family around, not alone as a country. So to me, it was clear. The Belt and Road Initiative for China has always been around influence in many parts of the world, contribute for influence as they built that out. Not that that's bad.

It reminds me, Kevin, of a story I can remember presenting at the China Development Forum or around the forum a number of years ago, in one of the major forums where the... as you well know what it is. I remember in my talk, I said, "Look, if I was a country of over a million people, I too would build a technology industry." To this day, China's number one import is semi-conductors. So to be critical that they're trying to build all these industries, you would build them too. All right? So to me, the most important thing, then, is to keep them in a global system, which is why I was such a strong proponent of globalization on this, that the safest thing for the country, all countries, is to keep everybody interdependent. Right?

That was said decades ago by many people. World peace through world trade is something IBM's founder had said. World peace through world trade, right? When you're interdependent, don't fight with each other too much. So I felt that, so we say, "Now, are we falling behind?"

All right. So here's where I worry the most. We can come back to some specifics on technology. But as an example, this morning there was a little blurb on AI. It had a big breakthrough on the number of parameters

it could look at in doing natural language processing and the size. So are they winning in AI or are they not? America is still ahead on these points, but there are two things we could lose on, and it's not the technology.

You can lose on, one, the skills race. Two, our focus. Are we diffused? So you said about the amount of money that goes into research and development. All that needs to be beefed up. And America has every capability to do it if it determines it's important to do it. Right? So we are creating far less engineers than are required, or STEM trained. Let's just put it that way. I'm stem trained, right? So I always tell kids and everyone I know, "Please go into engineering. You don't have to be an engineer, but it does teach you a way of working and thinking."

I would completely beef up what we do, whether it's community college, everything in that area. Then second is our focus. What are the key technologies that matter and that we really excel in them, versus a little bit of everything? That's what it's going to take to, I think, maintain what is our lead. So I don't believe it's... It's not a game of numbers and size. It is that idea of focus and skills. Isn't that interesting? It isn't really about people, "Oh, if they're going to win in AI because they have more data."

As I was talking to someone this morning, I'll agree with him. He's like, "This is not a more data game. This is about the other point, the skill and about this idea of this country can focus on those things, that the kinds of..." When you say AI is very broad, you've got to decide which kinds of AI make the difference to America's future, and really whether it's quantum computing as well, those kinds of things.

KK: But a number that does stand out, and Bloomberg had another story on this just this morning, U.S. government R&D

spending, U.S. government R&D spending, at a percentage of GDP peaked at 2.2% back in 1964. Right? So height of the Cold War, after the Sputnik moment. Last year, it was 0.7%, and that's in a depressed GDP environment for that matter. Right? So I guess given everything you were just saying—

GR: That's a problem. That is a problem.

KK: Should we be looking at this as a Sputnik moment right now?

GR: Yes. I've heard others call it that, too, in that the country needs an investment agenda in R&D in that kind of a moment. I think it is very, very true. We're a company, we're the oldest tech, so we have enough of a memory of how some of the major technologies that still run ropes today, they were as a result of collaboration in government. But it was also a different time of government, where they knew their role was to help. They would fund industry to help build things, knowing that industry would commercialize it.

So in addition to the funding, the other thing I'd bring back is that mentality versus a little bit too much today is, "I'll help you fund it, and then I want to keep it." That isn't going to ever get us to where the world you're at. I think America's greatest strength was R&D. Yes, it was done at a government, but it also funded private sector to do some of that R&D, and then private sector went off and commercialized it even more. That's what gave us the momentum. That's to me, the model that you... I would pull those elements forward with the amount of money.

KK: Do you think that once you start to disaggregate from those headline numbers, the numbers become even more disturbing when you look at actual, just basic research and that there's not enough basic research being done anymore? Would you agree?

GR: I would say I don't exactly agree on that. I would say that it's more important that the basic research be done in the right areas. So that's always my own... At IBM when people are budgeting things, okay, there's always enough money if you focus on the right things. Okay? So if you are not wasting a lot in other places that would really make the difference. So I feel that way here, too. So I think the country's quite able to put the kind of money we're talking into to do this.

Just I think here's another little bitty example of this in that if you take a look at something, it's come to forefront because of the pandemic. Broadband. A number of us have been talking about there should be broadband, almost like electricity, is a basic right in the country. It really showed how kids couldn't go to school and all this. There wasn't broadband everywhere. You might know. The estimates I've read, it's a hundred billion dollars to get broadband right, in cities, and rural areas. That's a drop in the bucket. Look at the size of the rescue or the aid package is 1.9 trillion, 4 trillion. A hundred billion? Really?

KK: Exactly.

GR: So this is where I go back to this is a matter of deciding what is most important to the country's future. I do think things like AI, quantum computing, in particular those two technologies, would be places—and 5G by the way—would be places where I would put that.

KK: So those concentrations that you're talking about, that also suggests, again, this coming together, public-private partnership.

GR: Yes, it does.

KK: We obviously saw that to some degree and in a great way with Operation Warp Speed. It's amazing how a year ago we were at the bottom of the performance bucket in

terms of pandemic response, and now we're near the top, thanks to that.

On another level, SpaceX. The of commercialization of space, NASA working with private sector companies has achieved some phenomenal things. So what's the right balance here? Again, this is also going to require a lot of leadership, both at a political level and at a corporate level to make that work. Is the environment emollient enough to allow that to happen right now?

GR: Oh, okay, well, you're the political strategist, not me. Okay? The environment emollient stuff. I knew you would get there eventually. Look, I want it to be, and I'm going to keep working to help make it be that way, that they come together on these points we agree on so that it isn't about a divide. This is not really an issue of Republicans or Democrats or anything else. Right? I come back to that word. It is making a decision about priorities, though, to get that to happen.

To your point about basic research, for sure, more needs to go into, as well, basic research that underpins all of this. So I'm still somewhat, Kevin, optimistic that that can take a few more steps forward. But I do think time is of the essence. So we don't quite have that luxury of the past of how slowly those things move. They are moving faster now, so now is the time for the country to have a real international technology agenda. Right? That's what people would say China has always had. It has had a national agenda for these things, and it's been a long time since we had a national technology.

KK: Right. Yeah. I think it's always interesting that the competition now is effectively an extension of the economic and foreign policy of the country, even if it's an erstwhile private sector company in China. But when you think about all of the things that we've been talking about,

not just on this competitiveness front or technology and research front, on the workforce front and whatnot, you brought up ESG a little earlier in your comments, but this notion of stakeholder capitalism and then the elements of ESG and institutional investors and other stakeholders being drivers, how effective are you seeing that being now? How does that play into what you've been talking about?

GR: Well, a couple of things. I was one of the helpers and workers on the business roundtable, purpose of a corporation. There's been lots of articles written, although most people listening to you, many listening to us are in a company, right? To me, I felt that it was just enshrining what anyone who had a company that had a long corporate life already knew, that if you didn't serve all those stakeholders in the right way, in the right ebb and flow, deciding we'll take away your license to operate.

I've been using that phrase for a couple of years, license to operate. So it's a little bit second hand to me that... I'm like, "Of course I have multiple stakeholders." Now, that's not true to everybody, though. Not everyone views them that way, and I remember people saying, "Well, does that mean this one is now... The shareholder's dead, it's not number one." Honestly, Kevin, I keep saying, "People, I think all my colleagues, we don't get to live in a black and white world." It's not like that. I don't get to say, "This is one, this is two." At all times, it's about living in a gray area and how you balance those things.

So now, has it put a productive focus on things? I think it can. Like anything, you'll hear people say, "Things are greenwashed now," and that's why I get back to all of these things. To me, you got to really be working on the authenticity of why do you do it and then what's really, what does it mean to be accountable, and then what are your real actions? Forget about the report,

the headlines, the numbers. Then those are all a by-product of that. Right?

I was on the phone with someone the other day. They were saying to me they had just done all these diversity sessions, they had done a lot of listening sessions, this and that. I don't know what I asked. I said, "Well, okay, so what do your real numbers look like?" "Oh, well, that's a different... We're not necessarily going to share all that and talk about that." I'm like, "Well, this is a very odd conversation to me, even amongst yourselves. I'm not about to go to a newspaper or something, but..." So that willingness to be accountable, then I go back, I said, "You guys got to go back to why you are doing all this diversity work?"

I really believe I get better products, I get better innovation from the team. You really have to believe that versus, "Hey, I'm complying with something." So in my life, I had many of those experiences that I came to believe it really strong. Just with the P-TECH kids that are far more innovative, and I believe this is a good thing. So why wouldn't I do it? And the environment. We did an environment report. I think this might be almost close to our 30th year of an environment report. I actually had shareholders saying, "Hey, you guys should really publish that thing too because you're doing all this work." We were doing it because we thought it was the right thing to do and we needed it for our own business.

So all that's a lot of air to say what do I think of this? I think it's great. I hope it raises all boats, but I start with get it really clear in your head on why you're doing some of these things so that those of us on the phone that lead companies... I tell you, everybody smells out authenticity really fast now. Are you complying, or is it because you believe?

KK: Right. So I think it should be pretty clear to everybody who's on this call that you feel pretty strongly about a lot of the

issues you've been talking about today. I want to pivot to something else that you feel strongly about, and that is technology ethics, and data protection and stewardship. With the global economy undergoing very profound change, the nature of work, as you've been speaking about, technology is changing the relation between government and its citizenry. We're dealing with multiple truths out there, a declining belief in science in some sectors. Privacy debates versus privacy expectations of an American versus, say, a Chinese person. Between countries and systems, between generations have different views on all of this. And clearly as we've seen, when your peers, technology CEOs, have testified in Congress, that oftentimes our elected officials don't really understand either the business models or the technologies that underpin them. So, what's the right approach here, in this world where we haven't defined properly the taxonomy in many cases? We haven't defined where the red lines of behavior are. Who should take the, how do we tackle this?

GR: Yeah, it's an interesting question. Again, I think you approach it two directions, both from a government perspective, but also then from a company perspective. But when you say I feel strongly, look, there's a lot of things I feel strongly, I don't always get my timing right, I must say. Because I can remember talking about this topic of technology regulation in Davos, maybe, I can't remember it was five, six, seven years ago. "Oh my God. No one's very interested in this topic." But that was a good little hell of a time, I guess. And part of why I was talking about it then was, I always feel companies are better to self-regulate, or set the standards, versus have it done to them, right? And so when you say, "What should we do?" So on one hand, what I do believe? First for a company, let me answer that, right. Each of us have to decide our own set of values, and really test yourself. I believed, and we do a lot of work

on this, that the purpose of technology should be to help man and make him better.

That means you won't do certain things. Or it means if you do them, as an example, we build quantum systems. Quantum can break traditional encryption. All right, and if we're going to build quantum, we also built, what I would call encryption state, quantum encryption, meaning it could not be broken. So we looked at the downside, and we worked to counteract it, right? So we built encryption that could not be broken by quantum systems. So the idea that, because you've got this thing about the purposes to augment and help man, not destroy it. Second one, I think you have got to get clear on who owns the data. And then the third thing is, you have got to do things that explain technology and build trust in it. So that could get to bias, and these sound like high level things, but then go test what you do on them. Can you really say, if you're a company and you're using AI, there's no bias? Really? You got to test it. So companies can do stuff. Then I think for government, I'm a strong advocate of what we have termed precision regulation, because I do have a great fear for all of what you described, all of the different points of view, or people not really understanding what they're regulating, could completely derail the digital economy. On the other hand, I'd rather deal with the bad actors, and that's what I mean by precision. And precision to me has kind of got three big pieces. For a consumer, and I'm not a consumer company, but as it concerns consumers, you should have to get consent, you could opt out, you could get yourself deleted. I mean, if I'm being very basic about what I should be able to do. I think the second thing is liability protection. Meaning, you should be able to hold me accountable if I do something illegal, or for hate.

Now that is judgmental, I agree on this topic, but I was quite involved with some of the departments who have legislation, it was

called SESTA-FOSTA, which is about child sex trafficking. And he was dealing with some other companies trying to pass legislation that said, if you knowingly hosted child sex trafficking, you would be held accountable. And others would not agree to that. They said, "No, I'm just a dumb pipe." And he had called myself and a few others and said, "If I asked you this, what would you say?" Honestly, it's one of the few times it took me maybe two seconds. I'm like, "Yes, of course we should be liable." If I knowingly am doing it. I'm used to living in a world of anti-money laundering. If I know it, I have to turn it in. Of course, if I know it.

And so this idea of why, but to me, these are things we shouldn't be fighting about. These are very values-based and should have been agreed to. But anyways, consumer consent, liability protections, and I think the third thing for precision, it's got to do around explaining technologies, like for companies, so that you can trust these technologies. That is the other ditch on the side of the road. People aren't going to trust them if they don't understand how they make decisions and what they do. So I need regulations around those three, and we got real involved in, I did too, in AI ethics principles for lots of governments. So to kind of keep them in the center and not go too far away so that you derail the digital economy. That's what I would do.

KK: And speaking of derailing the digital economy, going back to data protection and stewardship. Obviously, we're moving toward a world with more and more electric vehicles, where your updates are downloaded just like a new app to your phone, and increasingly the internet of things. And yet, we have been hammered over the head over just the last couple of weeks with the Colonial Pipeline hack, and now the JBS meatpacking hack. Talk about an ability to derail an economy. And its attribution is tough, it's asymmetric, the richer more technologically endowed

countries are more vulnerable. How concerned are you?

GR: Well, I'm extremely concerned. And I mean, I don't think it's a matter of whether you're hacked, it's just when. And then how fast you can return, right? So it's almost, I have a couple of little visions in my mind, little analogies on this topic, if I'm a company. One is that I would always assume the bad guy is in there somewhere. And so, when I think of my own cyber protection, I would use AI a lot, because I'm looking for, I used to use these words, footprints in the sand, what would be those little indicators ahead of time? Cause they're in there, like your body has germs in it, they're in there already. So, one is my approach to security would have a lot to do with AI. The second thing is, okay, knowing it's going to happen, how fast can you come back up?

So I'd spend my time on resilience really, and how to, I use this kind of a medical analogy, and I think it's still good. I've used it for a long time. Okay, if your arm has a disease, you kind of want to stop it here, right? Better chop it off there, then let it go through your whole, chop it off. Sorry, that's kind of morbid, but than let it go through the whole thing here, right? And so I think that's a second point, is that you would really spend your time on how to be sure that there is no one single thing that takes down, and you talked about that, I'm not familiar personally, I haven't worked on the JBS issue. But you'll notice they talked about certain parts of the world being down, not the whole world being down.

So obviously they've done some work, they'd call that, to be sure that this was a very flat network, that they were not able to spread like a tree everywhere. So I think it's very real, I'd apply AI to all of my work I did, I would focus all my time on resilience, knowing something is going to happen. And this is basic, some things like know where your crown jewels are, don't put them all in one place, separate them.

I mean, there's many things I think at a high level, you'd be surprised how many firms still don't do.

KK: So I want to end sort of where we began with a question on leadership. Because you have the benefit of having been there for many years, and yet now you also have the benefit of being able to look from the side a little bit, because you're not in the CEO role anymore. But, what do you think in terms of, I mean, it seems to me the CEO position is becoming very, very fraught politically, because of all of the things that are going on. Because of the, if you're a multinational corporation, all of the different markets that you're operating in, and where you have, let's go back to that word again, stakeholders. And also with 24 hour markets, 24 hour traditional and social media, the reaction function, the scorecard, if you will, is going to be instantaneous. And it just seems to me that as we look at companies, CEOs coming out very strongly on say, voting rights issues in places like Georgia or Texas or what have you, but then being asked, 'Well, how do you feel about those similar rights of representation in a place like China and Xinjiang, where you've got supply chain or you're trying to sell in the commercial markets of China?' It seems like the ethics, the political knots that you can get tied up in are becoming quite fraught. But there's also, CEOs are leaders. And as you said, most trusted institutions in America now, what's the right balance here?

GR: Yeah. Look, I think what we have witnessed, right, is also a bit of a by-product of, with a very divided political system, no one's in the middle, sometimes companies are being looked at to play that role in the middle, and therefore thrust into having a view on things. But I always go back again, as you said, you've been here. I think you said it politely, you're old, is what you said a second ago. The sub-caption on the little screen was that. And so,

what I learned, if anything, through my years, because I had a really big workforce over half a billion, right? And to get clear about the topics that matter to us and to say to the workforce, "These are the things we will speak out on, and because for these reasons." And I want to say, I even remember writing a letter on this, early on, to say, if it had to do with things that would affect people's trust in us, because it's the number one reason why we run all the mission critical systems of the world, trust, if it has to do with preparing society, hence why we got so involved in education to benefit from technology and not hate it. And if it had to do with diversity and inclusion, meaning to have everybody at work, feeling that they can bring themselves to work, right? Their full self to work. And of course, we'd always had the environment. So those would be the things we would speak out about. It doesn't mean the others aren't important, we may not be the one to speak out on them. And by the way, it was also reason why, how could you participate in countries that you did not necessarily agree with everything that they said or did, right? We're in 170 countries. But I always and I felt strongly, and as an example, when President Trump had formed his advisory board, I was on that. And like any company, I had 50% of people thought that was a good idea, 50% didn't like it, and every IBM CEO had advised every president of every major country in history, that your ability and many people say this, to you have influence, right? Is you have to engage. It is about engagement, and it will always be about policy, not politics. And I think that's a really good rule of thumb, that what you're intervening on is policy versus politics.

Sometimes hard to discern, but in many cases it would be policy. So, I played a really active role in those bathroom bills that were in two major states where we had big workforce populations, who people felt very strongly that they didn't feel safe at work if that were to happen. And so, we took a really strong stance with those governors about what it would mean

to us as a company if that legislation, it would never pass in those places. It will probably rear its head again, but, I think in today's world, because you are asked on everything, it's even more the reason to spend time and articulating it, particularly starting with employees. And they end up being the shareholders and more, but in particular to your employees about why these are the topics that matter to you, and therefore these are the ones you'll engage with and speak out on. And that it doesn't mean others aren't important. Just trust me, there's a million other really important topics, but you may not, right? We spoke out on dreamers; we had many employees in that category. So that would be my best sort of, in retrospect, learning that I would share on that.

KK: Well, it's always a frustration to me on these calls when I have guests who have something to say on a variety of subjects because we only get to scratch the surface on so many of them. So hopefully you will come back and we can unpack some of these at some point in the future. So Ginni Rometty, I want to thank you so much for being with us today, and for weighing in on so many topics that are front and center for so many of Teneo's clients and peers in the world today. And I want to thank everybody for joining us at this adjusted time today. Thank you, and please join me on the next call, which will be Thursday, June 17th. And my guest will be Michele Flournoy. She's the Co-Founder and Managing Partner of Teneo's partner firm, WestExec Advisors. And she was the former Undersecretary of Defense for Policy under President Obama. Until then, all the best for the rest of the week and the weekend. I'm Kevin Kajiwara in New York.

GR: Thank you, Kevin. Thanks everyone.



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