

Character and Trust

An Interview with Dominic Barton,
Global Managing Director, McKinsey & Co.

EDITORS' NOTE Prior to assuming his current post, Dominic Barton was Chairman of McKinsey in Asia. He joined the firm in 1986 and served as McKinsey's Chairman in Asia and led its office in Korea. Barton is an active participant in the World Economic Forum, Le Cercle des Économistes: Les Rencontres Économiques d'Aix-en-Provence, the Asia Business Council, and the China Development Forum. He is a member of the Singapore Economic Development Board's International Advisory Council, an adviser to the Asian Development



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Bank, and a member of the advisory board for the China Development Bank Capital Group; additionally, he was Chairman of the International Advisory Committee to former South Korea President Lee Myung-bak on National Future and Vision. He is also an adjunct professor at Tsinghua University, Beijing, and serves as a member of the advisory boards of four business schools. In North America, Barton is a trustee of the Brookings Institution, a member of the Canadian Prime Minister's Advisory Committee on the Public Service, and a board member of the Asia Pacific Foundation of Canada. In addition, he is a co-author of *Dangerous Markets: Managing in Financial Crises*. His most recent book is *China Vignettes: An Inside Look at China*. In 2013, he received the Order of Civil Merit (Peony Medal) from former President Lee of South Korea and in August 2014 he was awarded a Singaporean Public Service Star (Distinguished Friends of Singapore). He also has honorary doctorates from the University of British Columbia, York University, Canada and the University of Western Ontario, Canada. Barton was made a Rhodes Trustee in April 2010 and is an honorary fellow at Brasenose College, Oxford.

COMPANY BRIEF McKinsey & Company (mckinsey.com) is a multinational management consulting firm that works with clients to fundamentally improve their performance in a sustainable manner. They bring sector and functional specific insights, experience, and capabilities to make this happen. The firm consults 80 percent of the world's largest corporations and is considered the most prestigious management consultancy. McKinsey was founded in 1926 by James McKinsey in order to apply accounting principles to management.

What does "sustainable value creation" mean to you and how might you apply it within McKinsey?

There are a number of components to sustainable value creation: one is long-term with at least a 5- to 10-year horizon. There are a lot of things you can do to jack things up and improve performance in the short term that aren't immediately sustainable, so there is a longer time-frame required.

There is a resilience element to it as well. There are a lot of shocks and changes that can happen to a system. The question becomes how resilient that system is to shifts that occur in the external operating environment. I don't think

we factor the term "resilience" adequately into sustainable value creation.

The third element is the notion that it has to fit with what our stakeholders require. Those stakeholders extend beyond just employees, customers, and shareholders and out into the community in which we're operating and our environmental stewardship; it comes down to the word "trust" – people have to trust you.

From a leadership point of view, can you prioritize the stakeholders or do you have to focus on all of them?

You do need to think about all of those stakeholders, but where you need to put emphasis will vary over time.

There may be times when you need to be much more focused on the employees because if they're not happy and involved, you're not going to have good customer service.

There are other times where you may need to focus more on the investors, because you need them to be willing to make the capital investments to support what you're doing or to help you with resilience issues.

It literally requires the support of the entire community in which you operate. If they don't all trust you, it will affect you not only in terms of whether they're buying your products but also whether they will want the people in the community to work with the company.

Is it difficult to make long-term investments today when you have such short-term pressures?

It's very challenging, but you have to. Of course, you can't just focus on the long-term and ignore what's going on around. If you do that, you may not be around for the long term. But if all you do is focus on the short-term, you're going to wake up and find out you're irrelevant over the long haul, so you have to do both.

It is difficult though, particularly with activist investors and a short-term market focus.

What is the secret today to effective leadership and how has the CEO role changed?

Trends are moving away from the 'hero' CEO concept to the 'team-based CEO' who knows what he's not good at and brings in team members to handle those things. Today, it's more important than ever as to "who" a leader is – it's much more about the character of the person.

What's even more important in a complex world is having someone who is resilient and can get back up when a mistake has been made.

It's also how you manage your energy – it's not even about time anymore since this is a 24/7 role. You have to know when you're at your best to determine when you should be making decisions and when you shouldn't.

The character element has been an underplayed part of leadership that is beginning to receive more focus. Many of our CEO clients are redoing their leadership development programs and emphasizing character much more. This has great value whether building or turning around a business, or working in different markets. It helps with how resilient and courageous they are.

What is the value of a diverse and inclusive workforce to the success of McKinsey?

Diversity is essential, even without any regard to the moral imperative of it. You're not going to have the best talent if you're not diverse enough to be able to deal with the issues.

How can a company claim to attract, develop, and retain the best talent in the world if they're not at 50 percent women to match the population? We know schools that are sourced from may not be at the 50 percent level, but they're at least in the high 30s and 40s, so it's not good if you're in the mid-20s; you're definitely missing out. You get a much more resilient and rigorous place when you have that diversity.

How important has your focus on community engagement been?

There has been a positive swing on this over the past 5 to 10 years. Today, you diminish your shareholder value unless you do this. It's imperative to take care of the community in order to earn their trust.

Trust levels have dropped so people are recognizing that if you don't have that corporate responsibility component, it's a problem.

It enables innovation and also attracts talent because a lot of the millennials want to be working in an organization that is making a difference. ●