

Defining Leadership

An Interview with David H. Komansky,
Former Chairman and Chief Executive Officer, Merrill Lynch & Co., Inc.

EDITORS' NOTE David Komansky served in the U.S. Coast Guard before joining Merrill Lynch in 1968 as a broker. He rose to regional director in 1981 and an executive vice president in 1990. Komansky served as a director, President, and Chief Operating Officer of Merrill Lynch from January 1995 to December 1996, when he began his tenure as Chief Executive Officer that would end in December 2002.



David H. Komansky

He retired as Chairman in April 2003 after 35 years at the firm. He serves as a director of BlackRock, Inc. and as a member of the International Advisory Board of the British-American Business Council. In July 2005, the Phyllis and David Komansky Center for Children's Health was established at New York-Presbyterian Hospital/Weill Cornell Medical College of Cornell University.

How is the economy positioned today?

In 2008, when things were really bad, I gave a speech to a group with a lot of retired people in the audience who were asking how long this would last. I indicated that we were looking at a 7- to 10-year situation because of all of the damage that had been done.

A lot of strong moves towards recovery have been made, but until the economy can function without the support of the government – primarily the activities of the FED, who are doing what they have to do – we can't make a full recovery. But at least we are getting closer.

Has anything changed structurally to prevent another recession?

Wall Street has changed dramatically. If you look at the overall employment of the banks and security houses, although the markets seem to be at the peak, employment is significantly less. Legislation has, to a great degree, limited the activities of the banks as far as securities go. I would not be too surprised if at some point in the future it returns to a situation where there is a separation of activities between banks and securities firms.

The amount of risk has significantly declined, but it's a tenser place to work than it was 10 to 15 years ago.

Like everything else in this world, it works like a pendulum and Wall Street

was way too far on one side at that point in time. It played its part in the markets crashing and further legislation was passed to regulate it, and the government appropriately stepped in to save a few very important industries. The pendulum has probably swung too far the other way from a legislation point of view. It will slowly back down and we will find a point of equilibrium.

Is the securities industry on Wall Street still the place where young talent wants to go?

They do but they need to be a little more thoughtful in terms of what they want out of a career. If you want to go to Wall Street and try to max out your earnings potential over a reasonably short period of time, then with some background and experience, the hedge-fund world can be as lucrative today as ever.

However, I believe that for a career over a long period of time, the real opportunity for individuals is in the wealth management side of the business. Everyone with assets has challenges and problems; they need advice and have to go get it – they can't do it themselves. They don't even try because they have no idea what they're doing.

If you're well-trained and care more about the client than making a buck, that is the niche where you can carve out a real career as opposed to just having a job where you're looking for a quick hit.

What makes for a really impactful board today?

I have a long history with BlackRock and have been on their board since I retired from Merrill. What has made BlackRock unusual is that the group of people that founded the firm has stayed together for a long period of time. While there are now only a few left, they have a founders' mentality. They started the firm and they built the firm. They were able to inculcate an operational code of conduct that they refer to as One BlackRock, meaning they don't condone or allow separate pillars of influence. They can do that because they have two guys like Larry Fink and Rob Kapito who are both excellent macro-managers and micro-managers. They can

handle the client side of the business better than most, but there is also not a lot that gets past them on the balance sheet side. They have a board that they put together over a period of years that is very experienced. They're both helpful and they can be critical when they have to be, but in general, they are very supportive of Larry and the management team.

Does giving back come naturally to you?

If you think about what has been written about the greed of Wall Street and the shortcomings of the characters involved, one would think very badly about us. But historically, Wall Street and the financial industry and the people who run it have always been very supportive of charities in New York City. If it wasn't for what the Wall Street people do in this regard, many of those charities would fail.

How did you decide where to focus your efforts?

When I was getting started in the business, I wasn't making much and my family went through a period of a few years where some members of our family had serious illnesses. For some reason, New York Hospital cared for all of us on a repeat basis. We made a pledge to ourselves that when it was possible, we would do what we could to make an impact with the hospital.

Two years before I retired, John Mack and Jerry Speyer came to visit me in my office and invited me to join the board of New York Hospital, which was something I wanted to do.

I was on the board for a year and the CEO of the hospital asked me to join him for lunch. He was disappointed because he had great visions about what we were going to contribute and we didn't present him with that much monetarily. He mentioned getting together at a later date to discuss a few projects.

They later approached us with the idea of sponsoring the pediatric service of New York Hospital, which was something we were able to relate to. The hospital had done great things for my daughter at one time.

My small contribution turned into a large one. I do think that making an impact is how you get the most bounce for your buck. ●