

Commencement Address
(As prepared)

American University Kogod School of Business

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The Honorable Gene Sperling

I first want to say that I view the opportunity to be your commencement speaker with significant humility. I am more than aware of the vulnerability of the audience in this situation. For most of you, this is a family event where – as long as the Commencement speaker is talking – you are a very captive audience. At worst, a commencement address can be the graduation equivalent of a squirm-worthy best man's toast – one where the speaker chooses to provide endless embarrassing accounts of the groom's past girlfriends. In both cases, family and friends have few options for exit, protest or using giant hooks to keep the speaker from tarnishing a very special day.

In that light, I don't want anyone here to fear today that I will decide to use this occasion to deliver a blistering speech about my views on the virtues of the President's economic agenda or the problems with those who oppose us – forcing half the audience to have to sit still and listen to political views they might not agree with, when they came instead to applaud and honor someone they love.

So, while I will promise you little at the outset of this speech, I will commit to three things: no partisan politics, no Sperling economic prescriptions, and definitely nothing about your past or present girlfriends or boyfriends.

What I will try to do is simply offer you four observations that I have found meaningful in my life about how to prepare for the increasing responsibility and harder decisions that each of you will face as your career progresses.

Observation number one: You must engage in the preparation that provides the confidence to make the tough and lonely call.

When you are early in your career and observing the mistakes made by those above you, it seems pretty easy to have strong opinions. Yet, as you suddenly find yourself for the first time in the position to make a consequential call amidst considerable uncertainty, things feel a little different. When, rather than critique mistakes of others with the certainty of a Monday morning quarterback, you are asked, amidst uncertainty, to make the call: go or no go, launch or don't launch, fight or retreat, keep going or cut your losses – then you will feel the exposure of knowing that you have put it on the line, and time will prove you right or wrong, genius or fool, and you will have nowhere to hide. And, what may be most terrifying is not when your call is rejected amidst differing views, but when it is accepted: when your company, your government, your boss is deciding to make a risky

and tough move based on your recommendation.

Many people in life will go to great length to avoid making the call. For many, the exposure to the risk of clear and accountable failure is too much to bear.

Yet if you aspire to positions of responsibility, you need not only the guts to make the call; you need the commitment to rigorous and analytical excellence to make the wise call. You need to know that when the time comes to make the hard decision, you have done everything in your power to check every angle, challenge every assumption, learn from every precious mistake, analyze every contingency, plan for everything that can go wrong, understand what is likely to occur five steps down the road or and how your decision could lead to unanticipated consequences.

The world will of course reward you with applause, promotions, money and even fame when your call turns out to be the right one. But as Kipling wrote, in reality triumph and disaster can both be impostors. It is a mistake for any of us to judge our decisions, and certainly our lives, solely on how fate or matters beyond our control smile upon our choices. At a professional and, most importantly, at a personal level, each of us must draw our inner satisfaction from the degree to which we went the extra mile to ensure we did everything humanly possible to make the right call, ex ante, that would maximize success.

In his excellent biography of John Adams, David McCullough identified the degree that our founders understood and internalized this basic truth as they faced in 1776 the enormous anxiety and uncertainty over the life-and-death, against-all-odds decision to take on the greatest military power of all time in a war of independence. McCullough reports that as John Adams wrote to his wife Abigail, “he stressed that the events of war were always uncertain. Then, paraphrasing a favorite line from the popular play Cato by Joseph Addison – a line George Washington, too, often called upon – Adams told her, ‘We cannot insure success, but we can deserve it.’”

I thought about this a week ago today when we all learned about the dramatic and heroic killing of Osama Bin Laden. I saw the enormous admiration among the military, intelligence and national security teams for the fact that the President made the tough call when his advisors were far from unanimous and the evidence, however strong, was purely circumstantial. It was the ultimate hard and lonely call that ended with the ultimate good result.

Yet I could not help but think of how different the public and political reaction would have been had it turned out that, even for fluky reasons, Bin Laden had not been there that day or unforeseeable elements had turned against them. Would it then have been the wrong decision? I don’t think so. When one looks at the immense intelligence effort, the rigorous contingency planning, the five meetings the President himself ran over the last several weeks, the drills and practice sessions of our amazing Navy SEALs, it is clear to me that, regardless of the outcome, all those involved had “deserved success” – and thus deserved our admiration regardless of the outcome.

Few of us will make decisions as dramatic as launching a raid to capture the world's number one terrorist. But, most of us will at some point be asked to make a call – whether to start-up a new business, launch a new product, or implement a controversial policy that will have serious consequences to our fellow workers, the institutions we work for and, no doubt, our reputations and success. And, whether you are a President, a sports coach, a business executive, a military leader, or an economic advisor, I believe each of us has to draw our personal sense of satisfaction and professionalism not from, ex post, whether the field goal hit the uprights and bounce in or out, but from whether we did everything in our power to prepare for success, to make the best possible call, to deserve success.

Observation number two: Have the courage of your common sense.

Now at first blush, telling someone to have the courage to stand up for their common sense seems like it falls in the category of “don't curse out your grandmother.” Rather obvious. In the movies, we often see the outspoken protagonist take on his boss – who often turns out to be his future father-in-law – and find ultimate success, offering the lesson that the courage to dissent is ultimately rewarded with a promotion and grudging admiration.

But the real world is not so simple. Take our recent financial crisis. This crisis no doubt had many causes – inadequate financial regulations that overlooked systemic risks and the growth of the non-bank sector, weak lending standards, a lack of sound gatekeepers, together with individuals who took on debt they did not understand or could not afford. But there were also thousands of people – good and often accomplished professionals at all levels – who somehow put common sense to the side in the face of an overwhelming herd mentality.

While I am not here to debate how predictable it was that widespread financial practices in the mortgage sector would lead to such a historic and almost unprecedented Great Recession, the signs that something was seriously adrift were not particularly hard to see. The National Association of Realtors was finding nearly half of first-time homebuyers in 2005 and 2006 were putting no money down on their homes. Credit Suisse was reporting that prime ARMs originated in 2005 were three times as likely to be delinquent after just one year compared with similar loans made in 2003 or 2004. Eighty percent of Alt-A loans and almost 40 percent of subprime loans had virtually no documentation. You would think it would have occurred to more people in the financial sector – beyond those interesting cases in Michael Lewis's excellent book *The Big Short* – that something might have been wrong. So why didn't more of those specializing in housing finance speak up?

The truth is that standing up for the courage of your common sense – especially early in your career – against group think, or a system-wide herd mentality of those deemed older and wiser is not easy. Imagine someone in a major financial institution in 2004 making the case against continuing to originate and package subprime mortgages into real or synthetic CDOs. One year later, their courageous advice would have been proven brutally wrong, as firms specializing in these financial instruments continued to find success. Had they still stuck to their guns, they would have not only been proven wrong a second-year in a row, but those they were competing with inside their firms,

who espoused the most reckless stance, would have been promoted and financially rewarded.

Rather than the triumph you see in the movies, our hero practicing the courage of his common sense might have had a spouse asking why he had lost his job and cost his family greater financial security. There is a reason in Hans Christian Anderson's *The Emperor Has No Clothes* that it was a little child – not an adult – who noted that “[the King] hasn’t got anything on.” As Anderson writes about the adults in the crowd, “Nobody would confess that he couldn’t see anything, for that would prove him either unfit for his position or a fool.”

And yet while all of us must feel the personal accountability to do and say what we believe, the overwhelming power of the herd is one reason it is incumbent upon our policymakers and business leaders to create the incentives and environments that encourage people to dissent, to have the courage of their common sense, and to feel less inhibited from shouting out that the Emperor has no clothes.

It is why policymakers and business leaders should encourage and insist on compensation packages that incentivize employees to consider long-term risks; it is why companies have to reward their risk managers based on their analysis and not on short-term market movements. It means encouraging young employees, as McKinsey does, to feel an “obligation to dissent” and providing them the message they are not doing their job any time they stay silent when they disagree, regardless of how many senior executives are in the room. It means standing by employees willing to shout the emperor has no clothes, as the editor of Fortune did when its young reporter, Bethany McClean, reviewed the books of Enron and – unlike so much of Wall Street – was not afraid to admit that she did not see how their business model made sense or their numbers added up.

Yet, while we must ask our policy and business leaders to put in place safeguards and wise incentives, nothing absolves us of the personal decision each of us will have to make as to when, how and whether we risk being the lone wolf at the table. Make no mistake: practicing the art of dissent without preparation is no wiser than making a tough call without intense preparation. And I am not encouraging anyone here to emulate Tom Cruise’s character in *Jerry Maguire*, who decides in the middle of the night to send a twenty-page harsh critique of his company’s business model without the benefit of sleep or showing it to another person to review or comment.

But when you are prepared and in true dissent, you have to ask yourself this: are you willing to speak your mind knowing that you will have to withstand the sharp edges of suppressed smiles and the piercing darts of mocking glances from your peers as you go against the perceived wisdom? Do you have the stomach to leave the table with the sinking suspicion that when those in the room gather in hallway conversation in your absence, you will be the subject of condescension? And are you willing to do so, with the understanding that the movie ending – with everyone coming to acknowledge your forthrightness – is usually just in the movies?

That is a choice all of us have to make throughout our careers. But as you fear that your dissent will prove you “unfit for your position,” remember how you would feel explaining to your parents or the

children you will want to set an example for why you sat by and said nothing when your intellect and conscience told you otherwise.

Observation number three: See the people behind your decisions.

At one level, this might seem trite or even wrong. Trite because every tough decision hurts some people and helps others. Wrong, some might say, because any person responsible for consequential decisions must make choices that could negatively impact hundreds, thousands – and even millions – and forcing yourself to image the pain of each person could lead to paralyzing indecision.

There is truth to all of these concerns. But when I tell you to see the people behind your decisions, I am not suggesting that you avoid hard choices. It is never that simple. Military officers often risk lives in the interest of saving others; executives at times make painful choices to layoff 10% of their workforce in the interest of cost-cutting that could save the jobs of the other 90%. Seeing the people behind even your toughest decisions is not a recipe for paralysis; it is a means for making hard decisions in a way that is both wiser and more compassionate.

In his book on Eisenhower, author Stephen Ambrose noted that one of the reasons General Eisenhower became so loved was that despite the large and unavoidable loss of life that came under his watch he had “such a keen sense of family, of the way in which each casualty meant a grieving family back home.” Indeed, Eisenhower once wrote, “a man must develop a veneer of callousness that lets him consider such things dispassionately, but he can never escape a recognition of the fact that back home the news brings anguish and suffering...” And while I know that for President Obama and Secretary Gates, the writing of letters home to the families of fallen warriors is one of the hardest parts of their jobs, this practice ensures our leaders do see the families behind their decisions helps while giving the American people greater assurance that the decision to put our young people in harm’s way is done with the utmost seriousness and sense of gravity.

In my work, we often gather around tables and are forced – in the interest of taming our large deficits – to decide that we must go without important increases in vital services and, more and more, even make actual cuts and reductions. It is unavoidable at times. And it may be easier emotionally for some if they treat it simply as a cold budget exercise. Yet, I think all of us have an obligation to see the families and children behind each and every decision, whether we are military leaders, business leaders or policymakers.

When someone tries to brush off as inconsequential a cut that might deny 4,500 children the ability to be on Head Start, I try to visualize a place like Bender Arena and imagine it filled with poor children whose ability to enter kindergarten ready to learn rests on how well we fight on their behalf. An executive who sees his workers not as numbers, but neighbors who have to tell their children they have lost their job, may not be able to avoid all such decisions, but he or she is more likely to make layoffs a last resort, not a first one, and to ask what shared sacrifice he or she can deploy to prevent as many lost jobs as possible. Seeing the people behind your decisions may not allow you to avoid painful decisions, but it makes you think twice, try harder, ask yourself whether

there is another or better way. I think all of us, in whatever position we have, should have that obligation.

Observation number 4, my final charge to you: Do not forget the values you admire most in the people who have helped you along the way.

If we had to do a poll here on the 10 most successful people in the world, many of us would name many of the same people. But if I asked each of you who in your life had demonstrated values and attributes that most impacted who you are, you would be less likely to name a rock star or a billionaire and much more likely to note the dedication of teacher or coach who had touched your life, the steadfast support of a close friend in your darkest hour, the fundamental decency of a parent or sibling.

That is what shapes you. That is what has shaped me. For all the amazing heroes I have met and had a chance to work with and for in my life, my ultimate heroes are still my Mom and Dad. Not because everything about them is perfect, but because they helped me see, by their examples, the behavior that inspires and defines me.

My father is a great lawyer, but it is his core sense of justice and right and wrong that I have never stopped admiring. When he graduated from Michigan Law School in the early 1950s, he asked his close friend – an African-American named Roger Wilkins – to go into practice with him, even though it was virtually unheard of for there to be an integrated law firm at that time. They ended up taking different paths, but it demonstrates how his core sense of right and wrong and justice was not contingent on the fashions of the time or which way the wind was blowing.

I watched how my mother, as an educational reformer, never left a child behind; how she was willing to push in-class assessment and individualized education long before it was fashionable, and to fight for change when she was just as likely to be seen as a troublemaker as she was to be seen as a visionary. These examples shape who I am, who my brothers and sister are, and the values we pass on to our children. This is a legacy you leave to your children and grandchildren that is as rich as any wealth you can accumulate.

As with me, for many of you, somewhere in this audience or somewhere outside it there is a brother, a sister, a teacher, a friend, a father whose values and example are the rock and foundation you will look to guide you as you go forward in your careers and as you raise your families. And for so many of us, it is as much as anyone else in our lives, our mom. Which is certainly the most appropriate thought to leave you with as you celebrate your graduation and Mothers Day. Congratulations, Class of 2011.