



CATHERINE KEATING & GENERAL STAN MCCHRYSTAL: Risk, Resilience and Reinvention

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Featuring:

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CATHERINE KEATING: Hi, everybody. I'm Catherine Keating and I have the great privilege of being the head of the Wealth Management and Investor Solutions divisions here in Bank of New York Mellon, and welcome to BNY Mellon Perspectives. I'm honored today to be joined by author and retired four-star General Stanley McChrystal. For context, today, there are just 43 four-star generals in all of the United States military, so that's quite an achievement in itself. And General McChrystal is going to discuss his journey to the highest ranks of the U.S. military, his views on leadership and risk, and we even get his exclusive insight into some of the geopolitical issues that we're all facing today in Ukraine.

So General McChrystal, there's so much that I want to talk about, but let's begin at the beginning: You served in the U.S. Army from 1976 to 2010, and you rose through the ranks ultimately to take command of all the U.S. and [North Atlantic Treaty Organization] forces in Afghanistan. That represented 150,000 troops from 45 different countries. Former [U.S.] Defense Secretary Robert Gates described you as "perhaps the finest warrior and leader of men in combat I ever met." That's high praise, but tell us, what inspired you in the first place to enlist in the U.S. Army? I've learned that we grew up in the same hometown, so there's a lot of military folks there, but what inspired you in the first place to join the military? How did the mission of the U.S. Army resonate with you?

GENERAL STAN MCCHRYSTAL: Well, first we went to rival high schools, so there's a certain amount of distance between us, but me much before you did. I think like a lot of people, my father was my hero until the day he died at age 89, and I wanted to be my dad. My dad was a professional soldier. And if you've ever seen, it was an old movie years ago, *The Great Santini*, and it was about this very braggadocious, outgoing guy. That was the other end of the spectrum from my father. My father was very quiet. He was very kind to people, again, through his whole life. And so, I wanted to be him, and I wasn't quite sure what that was, but I knew I wanted to be that. And his father had been a soldier, so I didn't do a lot of thinking about it when I was very young.

If people asked me, I would reflexively say, "I want to go to West Point. I want to be a soldier like my dad." But then when I got a bit older, of course the Vietnam War was raging in the late part of my elementary school, and then through junior high and high school. My father was there, my brother was there, and I was interested in history. So I was fascinated by it, and so I became imbued with the idea of two things.

One, that it was a responsibility to do something. And because this is what my family did, going in the Army just seemed right. Years later, after I retired, I was giving a talk at a junior high school and a young girl asked me, "Well, what other careers did you consider?" And I said, "Well, nothing really, because I looked at the Army, and I wanted to be that." And she goes, "That didn't seem very smart to me." And I remember thinking at the moment, fair point, but it worked out. You're not quite sure what the military really is, but when I got into it, it turned out to be a very comfortable fit.

CATHERINE KEATING: Well, you knew the mission.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: You'd watched it. You'd watched it in your family. It's very funny that you say that, my dad was a lawyer and he died when I was a little girl. It was the only career I'd ever seen. And so guess what? I didn't consider anything else either. I went to law school, and yet here I am doing something very different today. And here you are, here you are too.

GENERAL STAN MCCHRYSTAL: And I remember watching my mom, because we had six kids [in our family]. My mother was from a Southern family, not military. And my dad had met this little Southern lady, and he got married not long after he had first been commissioned, and they went through a life together until my mom died, sadly at age 45. But my father would go off to Vietnam and leave her with six children, and there was no complaining and there was no sense from us that she didn't just to support what he did completely. And in retrospect, I realized just what a heavy lift that was for her, but it's another way of just serving. Sort of quietly doing that which must be done.

CATHERINE KEATING: Well, it's a mission for the whole family.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: Right? A mission for the whole family. So now the U.S. Army dates back to 1775. And as you may know, Bank of New York Mellon was founded just shortly after that in 1784. So over time, I can say that our institution has certainly changed, and I know the U.S. military has as well. So with 34 years in the military, how did you see that evolution happening in real time? And what are some of the examples of the transformation that you saw?

GENERAL STAN MCCHRYSTAL: First, it started as a child, I could watch my father's experience. So from one perspective, I saw it, and then I went to West Point in the summer of 1972 to begin the four years there. And of course, West Point is sort of an anachronism by itself. And so you've got uniforms that date back to 1814.

CATHERINE KEATING: Wow.

GENERAL STAN MCCHRYSTAL: They're modeled on that.

CATHERINE KEATING: Just to be clear, we don't have any of those here. No 1814 uniforms here.

GENERAL STAN MCCHRYSTAL: And you had some habits and processes at West Point that date back almost to its founding. It's not a poster child for rapid change.

CATHERINE KEATING: Yeah.

GENERAL STAN MCCHRYSTAL: But the Army that I entered in 1976 really was more like the World War II Army than what we evolved to later. But I remember from an early age, there were some things that people don't always recognize in the moment. So, for example, as a young child, we went to Fort Benning, Georgia. My father had to do courses there, and he had been stationed there as well. And on the same street, there were two movie theaters about 300 meters apart. And I remember thinking, "This is great. If you don't want to go to the one movie, you can go to the other movie." And then I asked my father about it. I said, "Why were they so bright to make two movie theaters?" And then he reminded me that in the three barracks on that street, on the other side, the last was the 24th infantry, which was an African American regiment.

CATHERINE KEATING: Oh.

GENERAL STAN MCCHRYSTAL: And they couldn't go to the same theater.

CATHERINE KEATING: Wow.

GENERAL STAN MCCHRYSTAL: And so here we have an Army....

CATHERINE KEATING: This is what year?

GENERAL STAN MCCHRYSTAL: This was in the 1920s and '30s.

CATHERINE KEATING: OK.

GENERAL STAN MCCHRYSTAL: All the way up through World War II.

CATHERINE KEATING: Wow.

GENERAL STAN MCCHRYSTAL: 1948. And so you have people wearing the same uniform with the same general mission, and yet they can't go to the same movie theater. When I was first stationed in the Pentagon, I found it really convenient that there were so many restrooms available. They were just everywhere, it was great. And then I found out that because it was built in Virginia in 1941, it required separate white and non-white restrooms. Now it turned out to be convenient later, but [President] Franklin Roosevelt was really angry in the moment when he found out about it. So the first off is there is evidence of the slow evolution of culture in even places like the military, which prides

itself on having made rapid change.

CATHERINE KEATING: Yes.

GENERAL STAN MCCHRYSTAL: There were also such things as how you wear your uniform, how you interact with your non-commissioned officers.

Many of those things date back to tradition, some of which are very good, because it's disciplined and it's camaraderie. And sometimes there are things built into the system that are counterproductive, but they are the way things have always been done. And the military had a tendency, when I joined, to be very hierarchical, and you really didn't challenge your bosses. And so because people wore their uniform, their rank overtly on their uniform, it increased the fact that if you saw somebody of a higher rank, you were much less apt to be brutally frank or candid about what must be done. And so when you see those things with a sweep of experience, you start to understand some of them aren't as helpful as you...

CATHERINE KEATING: And how about more recent years? Because 34 years, 1976 to 2010, you saw a lot of change in that time. How about some of that?

GENERAL STAN MCCHRYSTAL: I did. We saw an awful lot of change. One was when we got into the fights in Afghanistan and Iraq, several things happened. One, we had to decentralize because there was this ability to micromanage because suddenly you had so much technology, information technology, that you could literally know where every soldier was because we had something called blue force tracker. And you could talk to every soldier if you wanted to. So if somebody wants to be a puppet master and maneuver every one of their soldiers, they have the technological ability to do that. The problem is that's deceptive, because the situation is always more complicated than you understand. Complex, really. And this is a moment when things happen so fast. What you really have to do is fight that urge and instead push down to your subordinates more information than ever before and empower them to act.

It didn't happen everywhere, but in the places in the military where we successfully did that, you unlocked the potential. And so many of these young soldiers were better educated and better prepared to accept that responsibility than earlier generations might have been.

Another thing that happened really on my watch is the rise of a meritocracy that was most evident in things, well, like gender. When I was a younger officer there were female soldiers, there were female officers. There were no [female] West Point cadets during my four years, but they allowed the first females right after I left. But there were habits in the service. So, for example, a bright young female officer would be selected to be the division protocol officer.

CATHERINE KEATING: What's a protocol officer?

GENERAL STAN MCCHRYSTAL: Someone who basically worked in the division commander's office and coordinates visits...

CATHERINE KEATING: OK.

GENERAL STAN MCCHRYSTAL: ...and things like that. Now, it's not that it's not important, but it's not an avenue to senior leadership in the army.

CATHERINE KEATING: OK.

GENERAL STAN MCCHRYSTAL: And people seem to think that the best protocol officer by definition would be a female because they are more gracious. Well, the effect was when it came time to promote female officers to Major, to Lieutenant Colonel, to Colonel, you're now competing on the basis of your record. And if you were put in jobs that don't allow you to have those key touch points, suddenly the [Army] Board is in this horrible position, because the Board says pick the best person. And they see two different records, which are different, but one had less opportunity...

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: ...to get the tough jobs. And we all sort of said, "Well, that's not good, but that's the way it is." And I was like everybody else. Then really in Iraq, I would say about 2003, it became evident to me that because we were losing, and we were losing for the first two years of that war, there was an absolute requirement to wrench as much value out of the force in each person as you could. And what we started to see was, even in Special Operations where I was, talented females were rising up, because they were better than some of the competition. But it wasn't because we were liberal or farsighted, it was because we didn't want to lose.

And then after it happened, sort of in the rearview mirror, we said, "Wow, we should have done that a long time ago." But of course, we didn't. So the military, like many big organizations, typically needs external forces to move it. The military didn't integrate itself in 1948: Harry Truman said integrate it. And in reality, the military dragged its feet for about six years before actual implementation was complete. So even though the military prides itself on being an agent of change, and compared to many other institutions it is, it doesn't do it often willingly. It sort of gets dragged, kicking and screaming to excellence. And then by discipline of the force, it tends to then live the value once it's sort of put its arms around it.

CATHERINE KEATING: I would say that's even the case with companies, right? We are influenced by our constituents. What is it that our clients want? What do our employees want? What do our communities expect of us? What do our regulators expect? So I think we're all sort of in that together, being led by outside forces to create value. So in 2010, your career in the military ended and you made a major career pivot like so many of us do. What lessons on effective leadership did you learn from that experience?

GENERAL STAN MCCHRYSTAL: You're kind to say my career took a major pivot. I was commanding all U.S. and NATO forces in Afghanistan, about 150,000 soldiers. I was a four-star general, and a freelance writer wrote a story that was put into *Rolling Stone*, came out, and it became politically controversial. Now I didn't think the story was particularly accurate or fair, but that doesn't matter. I'm responsible, and this guy writes the story. And so it puts the President [of the United

States] in a very tough position, so I offered my resignation.

CATHERINE KEATING: This was President [Barack] Obama, I guess.

GENERAL STAN MCCHRYSTAL: Obama.

CATHERINE KEATING: In 2010.

GENERAL STAN MCCHRYSTAL: And he accepted [the resignation] really graciously. But what that did was, in an instant, after more than 34 years as an officer and four years before that at West Point, my life as I knew it just stops. Literally on a dime, I go from being a soldier who could self-identify with that, and I had a clear mission, I was at war, and suddenly I'm a civilian, I don't have a clear mission, I'm not at war. I didn't even know where I was going to live. And so, I went home from the White House that morning, I'd flown back from Afghanistan, and already the news has every few minutes on the ticker saying, "General gets fired; disgraced General," this sort of stuff. And so that's sort of disorienting and upsetting, but then I have to go tell my wife of then 34 years that our life together is now, as we knew it, is changed forever.

And I walked in the house – Annie is her name – and I said, "Annie, it's over. He accepted my resignation." And she goes, "Good. We've always been happy and we'll always be happy." And it was the most important moment of my life in retrospect, because what she did in that moment was sort of slap me and remind me that wasn't the most important part of my life, and I couldn't control it. And so there was no point in whining about it or trying to re-litigate it and go back and say no, it wasn't right. It just is.

CATHERINE KEATING: I think we want Annie for the next podcast. Please continue.

GENERAL STAN MCCHRYSTAL: You really do.

CATHERINE KEATING: Please continue.

GENERAL STAN MCCHRYSTAL: Because then we decide we're going to move forward. And I joke with people that Annie lives life like she drives: with no use for the rearview mirror. And so with her alongside, we just decided, all right, well, I'm not that anymore. Here's what we're going to be. We're going to be something different, but we are going to live our lives in a way that anybody who read that article and meets me then goes, wow, that's not the person in the article. Either the article's wrong or what I'm seeing is not right. And people who had known me before, I wanted them to know that the article wasn't correct either. They weren't wrong to have faith and friendship with me. So we didn't argue about the article, we just decided to move forward.

So then you got to be a civilian. So what do you do? Well, I had been in Afghanistan, Annie had been living alone. My son had been down in college, his girlfriend was down near there. We all come together and move into the same house, literally in the same month right after I retire, and they bring a cat. So it goes from me being alone in a little room to, with three other people and a cat, starting a new life. And a friend of mine says, "Do you want to start a business?" And I thought, well, how hard

can that be? I know, and we start this business, which has been an amazing experience. And then all of these things just sort of happen. I was 55 the day that happened, 56 soon after. And soon, I got opportunity to teach at Yale [University], which I've done for 12 years. I got an opportunity to serve on some boards of directors.

I got the opportunity to write a book, and then some books. And so I suddenly realized that, as wonderful as the Army was, I would've missed all of those opportunities had I never probably had that kind of an inflection point. So we joke about it some days, now we say that was the best thing that ever happened. I'm not sure I would do it again had it happened again, but in many ways it was, because it forced Annie and I both to rethink and redirect life and realize that what we wanted going forward, we wanted to be good.

CATHERINE KEATING: Well, it's so powerful because I think in careers, many of us have unexpected events. In life all of us have unexpected events. So it's just so powerful and inspiring to hear you talk about it. Thank you.

So let me turn to something that's really top of mind for all of us right now, which is the situation in Russia and Ukraine. I'd be remiss not to ask you about what you think is happening. Can you talk at a high level about some of the factors? You've written about risk, right? So there are probably some risk factors that led us to this awful moment.

GENERAL STAN MCCHRYSTAL: Right. I think that many of us have not paid attention to the sweep of history as closely as we should have. I think that from 1989, when the Berlin Wall fell down, and then soon after the Soviet Union ended as the "evil empire," as Ronald Reagan would say, we entered an era of history of several decades that we thought that globalization was the natural state. Two countries with McDonald's would never go to war. And you could argue that we thought that the rules, which had governed geopolitics for millennia, just had changed. We should have known that they didn't. Instead, we went through a period and all nations, United States included, I think took for granted that this new sort of Pax Americana would be the future.

But that wasn't reality because inside different countries, forces are at work that have always been at work. For example, in Russia, there was this tremendous feeling of frustration and humiliation, the sense that they were frustrated with the loss of the position of the Soviet Union. And then they felt like we, the West, humiliated them as though we hadn't helped much, and we rubbed their noses in it. I don't know that we did it intentionally, but you can see how they would feel it. Then when Ukraine started – first other parts of the former Soviet Union joined NATO or moved west – it was as though they were losing things that were part of their sphere of influence. Ukraine was special. Henry Kissinger wrote in 2014, we need to remember Ukraine is not just another European country. In the minds of Russians, it is part of Russia's being.

And if it is either torn away, or it is allowed to drift away to the West, it is as though they are losing an organic part of the whole. And you say, "Well, they have just got to get over it." Well, I'd remind people that in 1861, we fought a civil war to stop part of our nation from voluntarily leaving. Now, most Ukrainians have a different view. Most Ukrainians don't think that they're an integral part of Russia, and they've had a problematic relationship with Russia, particularly during the Stalinist years and

whatnot. But the bottom line is in the minds of Vladimir Putin, particularly, but in many Russians' [minds], this is the West literally trying to claw away an essential part of Russia, and it threatens their existence as a major player.

And so, once you do that, you start to think existential threat. Then it's not just Russian individualism going into a neighboring country, suddenly it's they are trying to desperately hold onto something that they think defines the nation. And they think that President Zelensky and the people of his government actually are sort of being courted by the West, enticed away from the motherland. So when you put it against that, you suddenly realize the Russians are likely willing to fight for this and they're willing...

CATHERINE KEATING: And maybe for a while.

GENERAL STAN MCCHRYSTAL: Catherine, that's right. Even though they've had a very difficult month, they may fight for a long time. And of course the Ukrainians, who have had a challenged history with Russia, not all of them but a good percentage of them, want to get out of that sphere. So they're willing to fight. The war has been going since 2014. Most people don't realize it, in the southeast region, it's been at a low level, but grinding on since then. And so what we've seen is this spasmodic invasion that President Putin directed, which didn't go very well. It could easily slide to the east and just revert to sort of a long-running, but very painful, war between Ukraine and Russia for who knows how long. And the Ukrainians are always conscious that even though the West comes together and provides weapons, Russia is always there. It is geographically there, it is culturally there, it is emotionally connected. And so, the likelihood that...

CATHERINE KEATING: And it's a lot bigger.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: And it's a lot bigger.

GENERAL STAN MCCHRYSTAL: And the threat is unlikely to go away.

CATHERINE KEATING: So as I listen to you talk about this, I think I'm hearing you say that what's happening now is really an escalation of something that's been happening since 2014.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: So how, given your experience working with NATO allies, how would you advise the U.S. and its NATO allies about the escalating risk of becoming militarily involved?

GENERAL STAN MCCHRYSTAL: Yeah. There is no easy answer to this and if I sound like I've got a clever solution, then I am being deceptive, because I do not. First, I would say that there is a very real chance this could go into major war. And if NATO becomes a combatant, i.e., is actually in the fighting, then I think the chance that it unintentionally escalates between Russia and the rest of NATO or parts of NATO is pretty high. And so, we've got to understand that.

At the same time, although we're not combatants, we are not neutral either. We have clearly made the decision to support Ukraine, and so we are putting advanced weaponry and other support in to let them do that. And Russia knows it and they watch it, and you can imagine the frustration they feel when you've got all of these rich Western countries pouring things into [Ukraine].

Remember how upset we were in the American Civil War, when we thought there was a chance that the United Kingdom might support the South?

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: So, and there was a lot of real face-to-face communication about that. So I think that we've got to understand that there's tremendous risk that it could escalate. At the same time, I believe that we can't back off at this point – and I'm not saying because we've got our egos into it, but I think Ukraine cannot go back into Russia in a comfortable way – and so I think that we've got to support Ukraine's effort to move to the West. But we have to understand that at the end of it, there won't be an agreement where Russia goes, "Yeah, OK. We agree, that's fine." It will be a point of friction for more than our lifetimes. It will last for quite a long time.

CATHERINE KEATING: So let me switch topics to your new book about *Risk: A User's Guide*. You may not have known, I don't know when exactly you started writing the book, but you may not have anticipated that when it came out, we would be, hopefully, I'm going to knock on wood here, emerging from the worst health crisis in a century. That we would be facing the most serious ground war in Europe in 80 years. That we would have the highest inflation in 40 years, actually, since you started at West Point.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: Right? And it just feels like there's risk everywhere. We're investors here, right? So we are monitoring these risks and the risks that poses to the markets and the economy every single day. So what drew you to the topic of risk and how to manage risk? Because it's really what the book is about.

GENERAL STAN MCCHRYSTAL: It's exactly what it's about. And we decided to write the book because I'd gone through this career where I had dealt with risk, or thought I had. And we calculated, we had studied it, and we had processes, and we almost never got it right. We almost always did all this and then got it wrong. And we were very upset about that, and we would do contingency plans and whatnot. And so really my question was why do we – not just the military, but in so many places – get it wrong so often because there's so much scholarship on risk?

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: So the effort to do the book was to not repeat the deep scholarship academic, but to just step back and say, "OK, I got it. Why don't we do it?" And COVID-19... we started in December of 2019 with the book. There were three of us, one of the authors dropped out, but Anna Bertriko – a young, 25-year-old member of The McChrystal Group from a big Italian family

in New Jersey – because I wanted a different demographic, different angle. We were co-authors and we attacked this thing. And then COVID. Well, the first thing it did is, we had to write most of the book geographically separated.

CATHERINE KEATING: OK.

GENERAL STAN MCCHRYSTAL: Doing it virtually, which is one challenge. But we also got to watch COVID, very early we decided that COVID was an almost perfect example of a threat that was not a surprise. Everybody says, "Who knew COVID was coming?" Everybody knew.

CATHERINE KEATING: Everybody knew a global pandemic was going to come at one point.

GENERAL STAN MCCHRYSTAL: That's right. Exactly.

CATHERINE KEATING: The country's been talking about it for a decade.

GENERAL STAN MCCHRYSTAL: Yeah. So you don't know what's coming this week or next week, but you know, it's coming. So when you know that's going to happen, why don't we handle it better? Why don't we have the physical preparations? Why aren't our processes run in our mindset, our narrative, why all of those things...

CATHERINE KEATING: The supply chain.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: The supply chain to take care of the health needs.

GENERAL STAN MCCHRYSTAL: How do we get caught flat-footed? And so, as we started to study COVID, what we found is that it was an almost perfect example that guided us in writing the book. Which led us to the thesis, which we didn't have when we started, that said, "The greatest risk to us is actually us. Stop worrying about what's around the corner, in the corner, in the dark. Go in the mirror, look that person in the mirror and say you are the biggest problem." And then expand that to include organizations. So we wanted to say, "Okay, what can you do about that?" Because we're not very good at actually predicting risks. You mentioned some risks that have shown up in the last few years and a financial crisis that we live through, the war in Ukraine... None of which were unthinkable. But if we'd come up with a list, most likely, we probably wouldn't have gotten that right.

So just admit that: Let's all admit that we're not going to get that right. We don't know what pitch the pitcher's going to throw. If he's going to throw a fastball, a curveball, or slider, we have to wait and watch the spin on the baseball, and then we've got to adjust our swing. Which means we have got to be good hitters. Which means you've got to study the game, you've got to get yourself ready, you've got to be in good physical condition.

CATHERINE KEATING: Practice, practice.

GENERAL STAN MCCHRYSTAL: Yeah, exactly. And so really it was sort of, in some ways, a

disappointingly mundane conclusion that if you want to deal with risk better, the first thing you have to do is make your organization better.

CATHERINE KEATING: Deal with yourself.

GENERAL STAN MCCHRYSTAL: Yeah, but deal with yourself.

CATHERINE KEATING: Deal with yourself. Yes. Well, it's exactly what we see as investors, right? If we let our emotions guide us, we do all the wrong things at the wrong time. And we can demonstrate that by what happens in the market. So, you have to start with yourself and you actually came up with a "Risk Immune System," which in today's world is actually a great title also. And you had really 10 things: communication, narrative, structure, technology, diversity, bias, action, timing, adaptability, and leadership. So help us hone in on a couple of those. And how does aligning an organization's narrative, whether it's ours as a financial institution, or the U.S. Army, with its purpose and values. And how does that help to contribute to effective risk management?

GENERAL STAN MCCHRYSTAL: Yeah. And we put those out, but then we do a chapter on each, because it's really a lot deeper in each case. So, for example, narrative fascinates me. I always – from a child with the old *Davy Crockett* movie—was fascinated by The Alamo. And if you study the battle of The Alamo, it's a little problematic. The Texans weren't all good; the Mexicans weren't all bad. There were no pure heroes, although there were courageous people who, probably on both sides, thought they were doing right. And it was an insignificant 180-plus Texans defending this small post. It doesn't change the war militarily in terms of numbers, but it changes the war dramatically through narrative, because suddenly, the Alamo became a symbol. It became the narrative that nominated how both the Texans responded, but also how all the United States looked at Texas and their fight for independence.

So suddenly, the narrative becomes hugely powerful from something that otherwise may not have been. And if your narrative is powerful, that's a case where Texas and the United States have gotten great mileage out of The Alamo. You realize just how powerful [narrative is] – because we self-identify who and what we are by the narrative that we align with – I've seen organizations that will literally fight to the death because they believe in their narrative. It has such power over our lives. And so, this is a case where if you want to strengthen an organization, if you can get a clear narrative that you are comfortable with and you can align everyone, it gives you a mooring when the winds and the waves get high. I would argue that at the beginning of COVID-19, what we lacked was a narrative.

If, at the beginning of that, both our scientific and our political leadership had stood up and said, "We're not sure the details of this, because every pandemic has slight differences, but we do know that these are existential threats to the wellbeing of our fellow citizens and the world. We are going to treat this like a war. We are going to unite the American people. We are going to do a focused effort. We are going to sacrifice in many cases. We are going to take risks in many cases. We are going to do everything we would do in a war. Although this isn't an enemy force, it's a virus," I think that would have united America in a way that would have been hugely powerful and positive. But we just didn't do it, and then we let competing narratives, which still exist to this day, that confused the issue. And there are many other cases. So narrative is one of those ones that, to me, you just say narrative, OK,

and then when you really delve into it, you realize just what a powerful thing it is.

CATHERINE KEATING: Yeah. We would agree with you. And it sounds like what you're saying is that you need a narrative all the time, but you really need it in a crisis. And we would agree with that, right? As a firm that has been through every financial crisis in the last 235 years, we would agree with that. And when we come in the morning here, our screensaver reminds us of our purpose, which is to help individuals and institutions succeed in the financial world.

GENERAL STAN MCCHRYSTAL: Exactly.

CATHERINE KEATING: That's our purpose. That's what we do. And I will just briefly compliment my colleagues here for getting it done through this most recent crisis that we've had. So moving on a little bit from narrative, you talked earlier about diversity and seeing the value of diversity growing in the U.S. Army. How do efforts to enhance diversity strengthen an organization's "risk immune system"? You were sort of talking about elevating the quality of the force, but how about the risk immune system, how does diversity help that?

GENERAL STAN MCCHRYSTAL: Yeah, it gives you a diversity of perspectives. And I want to make sure that when I talk about diversity, I'm really not talking about gender or religion or race. I'm talking about diversity of experience and perspective. And the example I use is, if you get a bunch of Army colonels in the room, and they've all served about 20 years in the army, and they've gone through a career and some may be female, some may be minorities, some may not, You need to remember you have a room of colonels, and they all have this common experience, which makes them more alike than different. So if you think you're getting this broad diversity, you're probably not. We used in the book an example of The Bay of Pigs, the failed invasion of Cuba in 1961.

And essentially what happened was the [Central Intelligence Agency] plans this operation, the military's asked to comment on it and provide some support, but they don't really. And so brand-new President Kennedy takes over. He is given this, and he's asked to approve it, and he does, and it's tragically ineffective. And at the end of the day, when they studied it, they actually coined the term "groupthink" from that experience. And what happened was, everybody had the same basic background, the same basic perspective. They're going to see the problem the same way, they're going to see the solution the same way. You didn't have people in the room that see it completely differently and say, "Hey, wait a minute. This doesn't make sense. Why are we doing that?"

And how many times do we fall prey to that, because in any big organization, we tend to take in people and then sort of homogenize and shape them? And then when we get to senior levels, they are remarkably alike. And so we put them together, and we get remarkably predictable viewpoints. And so I think that diversity needs to be one of those things that you need to understand. I also joke with people – a few years ago, I was on the board of Deutsche Bank Americas, and I'm not a banker – and I think I was asked to be on the board because I'm not a banker.

CATHERINE KEATING: Because you don't think like a banker.

GENERAL STAN MCCHRYSTAL: That's right. I was the idiot that would ask really stupid questions in

the board meetings, but every once in a while, someone would come...

CATHERINE KEATING: But I bet you asked them as a consumer of banking.

GENERAL STAN MCCHRYSTAL: Well, I did.

CATHERINE KEATING: Right?

GENERAL STAN MCCHRYSTAL: I wasn't the guiding light. You certainly don't want a whole board of me, but the reality is, just getting people with different viewpoints is critical.

CATHERINE KEATING: Yeah, we agree. We agree. And let's take that even further. Yes, you serve on a bank board, but you also, in your book, write about financial crises. Whether it was the dot-com bubble bursting in '99, 2000; obviously, the Great Depression you covered, then the most recent 2008 financial crisis. So help us think about the tradeoff between risk and return.

GENERAL STAN MCCHRYSTAL: Yeah. Boy, that is so hard. The same thing happens in the military, they say, "Fortune favors the bold." That's a phrase everybody uses. And I guess it is true, but we never talk about the person who fails on day one, because they take a risk. They fail, and we just call them a loser, and we move on. And we don't judge decisions correctly.

Annie Duke, the poker champion, really gets this well. She says, "You need to separate outcome from your assessment of the decision." Was it a rational decision based on good values and reasonable probability? Or was it just dead luck, good luck or bad luck that did the outcome? I think in a case of risk in return, there's that tension in banks that if you don't risk enough – and as I study the financial crisis, there was incredible pressure because while you might say, "Well, I'm not going to take that much risk," all your competitors are – and if you don't, your bank and your part of your bank, will suffer tremendously in comparison. And so that creates this forcing function, almost like a gravitational pull that pulls different parts into this really dangerous almost vortex. And that's why we've got to have a number of things to stop. At one, we have to have national rules, banking rules...

CATHERINE KEATING: And we agree. We do need them.

GENERAL STAN MCCHRYSTAL: You also need people with maturity and courage who can feel it and can go, "Wait a minute. This doesn't feel right." There's that great danger if you're ever in a position where you're doing something and it doesn't feel right and you look right and left, and everybody else has probably got the same feeling in their gut, but because nobody else has said anything, we assume, "Well, if we're all doing it, I must be just cautious. They must have it right." How do you get on the table that says, "Hey, wait a minute, this isn't right."

There's a great story that they make army officers watch. It was a video of "the bus to Abilene," if you've ever heard that term. And it's really about a family who one day, someone says, let's go to Abilene. Nobody wants to go to Abilene, but nobody wants to be the person who stops it from happening. And so they end up all going to Abilene. And then they kind of ask, "Why did we do that?" And so in the military, often when you've got a plan that's going in a bad direction, someone will say,

"Are we on the bus to Abilene?" And it's a useful shorthand.

CATHERINE KEATING: One of the things that we know in our industry is that process can help to protect you.

GENERAL STAN MCCHRYSTAL: Yeah.

CATHERINE KEATING: Right? More people involved, more discussion oversight.

GENERAL STAN MCCHRYSTAL: Yeah.

CATHERINE KEATING: How does the risk immune system and the elements of that help with financial crisis risk?

GENERAL STAN MCCHRYSTAL: Yeah. The first thing it does is – if you focus on all of those separate from any specific risk, and you just try to make sure you've got diversity, you try to take into account biases, so you deal with them, you understand that your technology is always a double-edged sword – it helps, but it also creates vulnerabilities as well. You understand how important leadership is and you think about all of those. They don't solve the problem, but they make the entity healthier so that it can function in a reasonable way, so that it is more likely.

There's another factor, though, that you mentioned. Process is really helpful to force people through due diligence, or there are certain things you should do, but it also can become something that convinces you that you are safer than you are. You've gone through this process, and the process produces an outcome, and it says it's OK. And yet you can step back and go, it doesn't feel OK.

The Army has a planning process called the Military Decision-Making Process. And it brings down a decision, and it gathers information, it comes up with potential courses of action, it compares them, and it gives a numerical score at the end. And a mediocre commander hides behind the process. The staff runs the process, they get an outcome, and the commander goes, "Look, this is the best course of action, because the process produced that." And yet, if you go back, you understand you can change the weighting of certain things in the process, to get a completely different outcome. So the value of the process is to force you to think. It's not to take the responsibility of a mature decisionmaker. The mature decisionmaker should be able to look at it and go, "I hear what it says. It's not right. Stop. We're going to do..." And that's why we have leaders like you.

CATHERINE KEATING: As I read the book and reflected on the risk immune system, I really thought of it as an organizational framework.

GENERAL STAN MCCHRYSTAL: Right.

CATHERINE KEATING: As you said, it doesn't tell you what to do...

GENERAL STAN MCCHRYSTAL: No.

CATHERINE KEATING: But it gives you a framework to hopefully have the right decisionmakers who

make the right decisions.

GENERAL STAN MCCHRYSTAL: Yes.

CATHERINE KEATING: And it resonated with me, because as an investor and somebody who's guiding investors, that's what we're always trying to do: create a framework. It's not going to tell you the right answer about what your asset allocation should be or your spending rate or how much you borrow, but the framework will help you think it through. Right?

GENERAL STAN MCCHRYSTAL: And if you knew a crisis was coming in a week from now or a month from now, and you didn't know what it was, someone would say, "What should we do?" I would say, the first thing I'd do is probably take the team and go do something for team building, and I would increase the cohesion.

CATHERINE KEATING: So you're ready.

GENERAL STAN MCCHRYSTAL: Yeah.

CATHERINE KEATING: So you're ready.

GENERAL STAN MCCHRYSTAL: I would just get as ready as we can for whatever it is.

CATHERINE KEATING: And I think that's also a great point, because that builds trust.

GENERAL STAN MCCHRYSTAL: Exactly.

CATHERINE KEATING: Right? Having a shared experience builds trust and makes people more comfortable in challenging each other if they need to.

GENERAL STAN MCCHRYSTAL: Exactly.

CATHERINE KEATING: So, that's really great advice. So, in addition to the Ukraine crisis, in addition to financial markets that we can only call bumpy right now, we all continue to live through what we hope is the tail end of the COVID-19 pandemic. And we talked about the fact that we could have done some things maybe differently, have a narrative that is more present, more uniting. What else?

GENERAL STAN MCCHRYSTAL: I am pretty opinionated on this. So I discount it with my lack of expertise, but we knew that a pandemic was coming, because we talked about it. They come with regularity. We knew what to do about it because we have public health experience. That's pretty good. We also, this time, we got a medical miracle in the production of vaccines faster than ever.

CATHERINE KEATING: Exactly.

GENERAL STAN MCCHRYSTAL: You couldn't have counted on that. It would have been irresponsible to count on that, but we got it. And so if you line those up, the excuse for us having the outcome we've had is not there to me. And instead, we got things wrong, we didn't communicate

effectively and clearly, we got the narrative jazzed up, we made mistakes in our technology. It wasn't the science of the virus that was so strong, nor was it the failure of our scientific response to it. It was all of those.

CATHERINE KEATING: Which were good.

GENERAL STAN MCCHRYSTAL: They were great.

CATHERINE KEATING: Which were good. We figured out this virus pretty quickly...

GENERAL STAN MCCHRYSTAL: Which should make us even feel guiltier, because if one person had made that horrible mistake up front, we could pin it on them and say, but we'd have gotten it right otherwise. Instead, what we did was – with all of those pieces together – we made decisions too slow. We couldn't overcome inertia, in many cases, to make tough decisions. Because the nature of that pandemic means that you have to make the hard decisions before exponential growth is evident and most leaders would like...

CATHERINE KEATING: More information.

GENERAL STAN MCCHRYSTAL: That's right.

CATHERINE KEATING: They'd like more information

GENERAL STAN MCCHRYSTAL: And they'd like it to be clear to everybody else, because if you cancel an airline flight on a sunny afternoon and people are at the airport, they get mad. But if you know what's going to happen 24 hours from now at the positioning of crews – I used to be on an airline board. They see the storm, they go, "Oh, it's a storm. I got it" – but in the case of a pandemic, leaders have to make these decisions beforehand. They have to spend money. They have to marshal resources. They have to sometimes do things that are unpopular, before it's evident to everybody...

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: That it's necessary, and that's hard. So I think that we got a tremendous number of the risk-control factors. We just let them underperform, and it should have woken us up to the fact that the next risk that comes to us now probably won't be a pandemic like that. It will be something different, but those same factors didn't perform well now, so why do we think they'll perform well next time?

CATHERINE KEATING: Right. Talk about resiliency.

GENERAL STAN MCCHRYSTAL: Yes, ma'am.

CATHERINE KEATING: Right. It's about planning for resiliency. And I can say at our company, thank heavens we had done that resiliency planning, because it turned out it worked.

GENERAL STAN MCCHRYSTAL: And that's the thing. Next time it's going to require some also

unpredictable set of responses.

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: The key is being resilient enough to do them.

CATHERINE KEATING: Yeah. So it's really about that framework, right?

GENERAL STAN MCCHRYSTAL: Exactly.

CATHERINE KEATING: It's about that framework. So with that, what advice would you have for any organization, whether it's your new company or a big organization, to help mitigate risk?

GENERAL STAN MCCHRYSTAL: Yeah. Go back to the basics. There's a temptation to want to bring in people who will give you an actual prediction of the risk, or to prepare for that particular eventuality. And what I would say is there are certain ones you should prepare for, because they're obvious they're coming. But I think the biggest thing is go right back to those basics and say, what do I have to do, well, all the time to strengthen those things, to communicate, to test them, to pressure test them? When do I look at my narrative? Is it only in the rearview mirror after we have a problem? Or is it before that? How do I develop leaders? What kind of investment am I making to make sure I hired the right leaders? And I'm developing the people inside to be the best leaders they can be?

How do I make a culture where we overcome inertia? What does that? We need diversity, how do we measure it? How do we check whether we're doing it? We have a tendency when things are going OK – and we're all kind of guilty of this – we sort of like to face forward and assume that things are going to continue the way they are at the same speed, velocity, and direction, because it's inconvenient to think that they won't.

And look at our supply chains, which you mentioned earlier. We drew those so taut. We put in place supply chains that were economically advantageous in a free-market economy to go to lowest-cost sourcing; but that lowest-cost sourcing, in many cases, was very vulnerable to interdiction by any number of things – politics or COVID. We created, just in time, inventory systems, which all behave beautifully until the wind blows and the waters rise. And then suddenly there's imbalance.

CATHERINE KEATING: Right.

GENERAL STAN MCCHRYSTAL: We need a balance between efficiency, but even more the ability to be resilient. I hate to keep you using that word, but it's perfect.

CATHERINE KEATING: I think your point on diversity – and you've made it so many times, thank you – is really, really important. And the way we look at it is diversity is who: Who do you have in the room? Who do you have at your company? But inclusion is how. Right? Because how are they included? How are their views incorporated? And that's all about culture. That's all about the culture of your organization and how you make sure that it's not just who, it's how, to really get the value of that. So, thank you for emphasizing it so much.

So I think I should go back to basics here with you and thank you, first and foremost, for your 34 years of service to our country, to the world and all of us. And thank you, to Annie and your family. Thank you for sharing your insights from both your military career, but also subsequently all the thinking and writing you've done. And most of all, thank you for spending some time with us today. We are incredibly grateful.

GENERAL STAN MCCHRYSTAL: It's a complete honor, Catherine. Thanks for having me.

CATHERINE KEATING: Thank you.

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