

Driving Transformation and Growth

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Featuring:

Satya Nadella, Chief Executive Officer, Microsoft

Todd Gibbons, Chief Executive Officer, BNY Mellon

Todd Gibbons:

First of all, thanks a ton for doing this. This is great. I'm going to start with a question about recognizing our focus on accelerating our own transformation. Tell us about yours. Where and how did you start?

Satya Nadella:

First of all, Todd, thank you so much for the opportunity. I've gotten to know BNY Mellon a lot more and have a deep respect for what you're doing. One of the things that I figured out is, wow, your history is so rich. In some sense it's humbling even for us to think about our own transformation in that context.

Two things, Todd. At least when I look now—by the way, six and a half years or so of being CEO, I've grown up at Microsoft. I mean, all my life, professional career is in this company. The way I felt I was obviously taking over from founders. I mean, Steve technically was not a founder, but he had founder status. Bill and Steve built this company. And I had to make, I would say, two things much more explicit before I could even think about a lot of strategy and transformation. I always say, as a mere mortal CEO, I needed to focus on what's our sense of purpose and mission. Why do we exist even as a company? If Microsoft disappeared, would anybody even care or miss us? Answering that question. And then, the culture—why does somebody want to work at Microsoft? What are our norms? How do we work with each other? And what's that overall everyday lived experience for our people?

So, I would say those have been the two constants. On the mission, I'll go back to even 1975 when Bill and Paul built the basic interpreter for the Altair. The idea was let's build technology so that others can build more technology. That's more true in 2020. In fact, even in our partnership, when we look at it, we are trying to build technology so that you can build more technology, right? So, that's at the core. And I said, "Let's double down on that, as the sense of purpose."

And then, on culture, Todd, I had a chance to read Carol Dweck's work out of Stanford on children and growth mindset. And I said, "That's a great metaphor," because I always was in

search for what's the best way to anchor us as a learning organization. After all, in the late 90s, we were a very successful company, and with all success comes hubris, right? That's been the thing that's true from ancient Greece to modern Silicon Valley. As soon as you have some success, you think, oh my God, I must be smart. The reality is you were successful because you had hunger. You were humble. You learned. So, I said, "Okay, let's go back and be like a student." Any boy or a girl in school who is a learn-it-all will always do better than the know-it-all. So, we said, "Okay, how do we become a learn-it-all?"

So, I would say, if I had to anchor, to your question, these two things, that sense of purpose and culture were the most impactful in our transformation. Of course, you've got to get a lot of things right. You've got to pick right. We picked the cloud. We doubled down on it. So, a lot of strategy and execution, but in some sense, the necessary conditions to even get your strategy and execution right are mission and culture.

Todd Gibbons:

I love that, moving from a know-it-all to learn-it-all.

Satya Nadella:

Right, that's it. It's the hardest thing to do, but it's the most important thing to do.

Todd Gibbons:

So, you kind of led into this. So, under your leadership, there has been a significant transition. You made the commitment to Azure. You made the commitment to Microsoft 365. You made a few bets. Looking in a rearview mirror, it seems obvious. How risky did you think it was? What did it look like at the time?

Satya Nadella:

It's a great question. See, one thing that I've been thinking a lot about even lately now is, in some sense, all of us, whether it's you entering new businesses or us entering new businesses, or growing the core, or what have you, it all stems from at least this interlock.

Going back to this, we talked about culture. Culture, if you have really a learn-it-all culture, one of the things that it will help you do is build new capabilities. Long before it's conventional wisdom, you'll have people, like in our case, let's even say, oh wow. After all, even going back in history, we had people inside our company who said, "Oh, man, we have sort of expertise in building a gaming business." I mean, think about even our results, which we just posted yesterday. I mean, we are definitely benefiting from remote work, but we're also benefiting from remote play. But that ability for someone at Microsoft to dream that we can do impactful, big work in gaming—that is capability that was built before it became the gaming business.

So, I think if you're a learn-it-all, I think in smart ways, organizations become capable of building new capability before you really know how to exercise that capability to drive new concepts, like gaming or, in our case, cloud, you could even say, it's probably a more logical extension. But when we moved to the cloud, as you mentioned, Todd, it was just not, okay, let's take what we were doing with our datacenter and just move it to the cloud. It's a complete rethink of even how to approach the value we create. Even something as simple as Office 365 is not just Exchange online. It's a complete new rethink about saying, okay, how can we help people be more

productive? How can they communicate? How can they collaborate? And that's what led to sort of, say, even creation of Teams.

So, my fundamental idea, at least, I'm sort of trying to say, okay, what's the moral equivalent of this now for the next decade even, which is how do you use your culture to build new capability? Then, how do you use that new capability to build new businesses and new concepts? That, I think, is how, to your point about placing the bet, you don't want to place a bet on something that you're not capable of doing. And of course, you're not going to be capable of doing it if you're not going to have that learn-it-all. So, that virtuous cycle is, I think, what—I mean, think about BNY Mellon. I mean, here you are, after what, 150 years or 200 years of history—that means you've been great at doing those three things. And so, that's what at least I've been thinking a lot about.

Todd Gibbons:

Well, Satya, I haven't been there for all of them, but most of them. Just on that point, because it is a cultural thing and you can have—how do you get through the fear of failure? I love the learn-it-all, but how about failing and being willing to take those types of risks and moving a little bit out of your comfort space?

Satya Nadella:

The reality is we are all human. Nobody likes to fail. I mean, everybody likes to sort of talk about failure as something that we will reward. But let's face it, nobody rewards failure. So, one way I've sort of framed it is even, okay, let's talk about—in fact, framing and learning that something doesn't work as a hypothesis testing thing, that is success. So, for example, think about this experimentation phase. Sometimes when people at Microsoft come to me and say, “Satya, I have an idea. You've got to give me a thousand people, \$5 billion, and I'll come back and tell you if it works or not.” That's a bad thing, right? I mean, that is not the way to go test stuff. You want to experiment. You want to do it at low cost. And then you want to set it up in such a way that you want to prove yourself wrong as quickly as possible. So that hypothesis testing, experimentation mindset is part of that growth mindset or being a learn-it-all.

So, we're doing a lot. There are certain things. Suppose I said, “Hey, we need real new silicon capabilities in order to build an AI supercomputer that works,” which is this new gargantuan GPD3 model. There are certain things that you will allocate long-term capital, we'll allocate long-term capital. But even there, once having allocated to an area, you don't want to have grand failures. You want to set up experiments. And the one thing, Todd, we are trying to do is create some incentive structures. When people come in and say, “Hey, I now know that this doesn't work,” we consider it a success. In fact, if anything, the faster you can tell us that this doesn't work, that is more successful than you taking a lot of time to tell us it doesn't work.

Todd Gibbons:

I love it. Thanks for that. So, last year you hosted the executive committee out at your offices. You demonstrated the Office of the Future, which seemed to get here a little faster, I think, than perhaps even you thought it was going to. Everything that you're seeing around this current environment, what trends are you seeing and what have you learned? Where do you think it might bring us?

Satya Nadella:

In these five months, Todd, I feel what I've at least learned is digital transformation is key for any organization or digital tech intensity is key for any organization's resilience, because after all, software and digital technology is one of those most malleable resource all of us have, whether it's BNY Mellon, Microsoft, whoever. Pick your industry, pick your company. We can use digital to continue to operate and be resilient, be flexible in the work processes and workflows.

So, one is, think of even our digital technology capability you have inside of your organization helping business continuity and resilience. Second, is to adjust to the changing needs of customers, right? So, that's the transformation, reimagining. Coming out of this pandemic, how do you reimagine?

So that's what we are focused on, which is how do we help our companies build their own digital capability, one, so that they can respond, whether it's—take the healthcare system. One of the things that we learned—I mean, telemedicine is something that we've been talking about forever. Guess what? There's no turning back, right? Outpatient visits, interestingly enough, I was checking out some stats at Stony Brook, I think, where they've been doing outpatient stuff, and it was like two percent, three percent on telemedicine. Now, it's obviously during the peak of COVID crisis in New York State, it was 90, 100 percent was telemedicine. And now, there's no going back.

Todd Gibbons:

I can make a comment there. My wife's a medical doctor, and her office was also not too far from mine for a good part of that. So, I saw it in practice.

Satya Nadella:

Exactly. And so, I think even on retail, like even, for example, physical retail, the fact that they're now going to do contactless shopping, curbside pickup and what have you. So therefore, I think that ability to reimagine what is the next trend, what is the consumer behavior change, obviously, you and BNY Mellon, how you're thinking about customer is completely changing. So, I think that building that core digital technology capability that allows you to respond better, recover better, reimagine better is what I think is super important.

Todd Gibbons:

Good, thanks. So, as one of the world's leading tech firms, how do you think about partnering with various industries, including ours?

Satya Nadella:

I mean, to me, the way I think about the world we live in now is if you say every company “is a tech company,” I know sometimes it's an overused word. But the bottom line is I think in the next 10 years, we're not going to come and only talk about, so, here is the tech industry and here is the rest. If anything, every one of us is going to be using digital technology to build more digital technology.

So, in that context, quite frankly, we have changed even our partnering posture in multiple ways. What I used to do with perhaps people in my industry, like if I was working with, let's say, an

SAP in the mid-90s, right, when they were building their SAP ERP system, and we're building a database, we collaborated very intensely in the co-innovation, essentially, of the two products.

Interestingly enough, I feel that's what we're doing with you today, right? I mean, after all, when you think about BNY Mellon, you're building a data and analytics business. So, I feel the partnership now we have, whether it is in the co-innovation to serve you better, but more importantly, co-innovation so that we can in fact take products you build to market together, because after all, your product is going to be useful to a retailer somewhere, a manufacturer somewhere, or pharma companies somewhere. So that's, I think, the type of approach that we are taking, which is much more pan-industry digital enabler.

Todd Gibbons:

Yeah, we are really looking forward to that. We're really excited about that. So, like Microsoft, serving clients is at our core. How do you think about client service, particularly in this incredibly quickly changing world that we're in right now?

Satya Nadella:

It's very interesting. When we talk about what does it mean to do remote work, it's just not remote work. You have to now break it down into the specific sort of functions, remote sales, remote operations, remote finance or what have you. And in the context of, let's call it sales activity or customer service activity, I think that the data you have about all of what your firm does and how it could add value to your customers becomes key, right? So, even the partnership we have around, how can we use a "CRM system" to power how you are interacting with your customers? The interesting thing to me is it's not to look at the narrow way, or rather, not look at the dataset in the CRM system in a narrow way, but to look at all of what is the data and the interaction insight you have so that you can serve your customers.

So, for example, in our own case, Todd, we have something called the daily recommender. Our Inside Sales teams have this AI-generated list of activity that helps, after all, the Inside Sales rep to be able to figure out which accounts, what products, what challenges in that context. And that context is coming by observing everything that's happening at Microsoft and at large across the industry. So, I feel that in sort of thinking about each of the functions as a silo, thinking about this as, hey, there's an enterprise-wide connected cloud AI data strategy which that then powers specific systems— salespeople are more productive, finance people are more productive— that's, I think, the approach that I think you're taking and most companies are taking.

Todd Gibbons:

Okay. Well, I think we have time for one last question. So, as we close, what's the last piece of advice that you'd give to leaders out there who are preparing to change one of the world's largest and most important banks?

Satya Nadella:

I love this question because in some sense, I ask myself, what does the leader do? What should I do? How should I hold a mirror to myself each day? At least the simple way, I've characterized always, and this is something I look for in the leaders we hire and what I sort of use as a benchmark for myself, one is—I mean, leaders have this innate capability of coming into a

situation that is ambiguous, uncertain—guess what? A time like this—and when there is all sorts of unknowns, bring clarity, right? Leadership is not about coming into a difficult situation and creating confusion. Leadership is about coming into a difficult situation, an uncertain situation and creating clarity. That is, I think, innate in any leader and that's what we will have to amplify and—we all create confusion. Let's minimize that.

The second piece I also feel is leaders also are able to somehow bring teams together, bring people together and create energy, right? I mean, you never met a leader whom we feel like, “I met this person, he's a great leader, but, man, he sucked out all the energy.” That's never happened. Whenever you meet somebody who is a great leader, you come out of it very energized. And, you know, sometimes people say, “Oh, my team is great. Everybody else sucks.” That's not leadership. That's not creating energy, right? Energy is about being able to take cross-functional teams and serving customers better, serving partners better. So, energy and energy creation is the second one.

The third is probably the ultimate test, right, which is leaders don't say, “You know what? Give me perfect weather and I'll tell you what I'm capable of.” You and I would love it, but we never get perfect weather. The world is over constrained, and the question is, as a leader and with your judgment, can you “unconstrain” it in smart ways and create success in an unconstrained world or an over constrained world?

So, those are the three. Creating clarity, creating energy and creating success in an over constrained world is at least what I think we all try to do as leaders. That's what we'll have to hold as a bar for any other leader.

Todd Gibbons:

Well, that's very, very good guidance. Thank you for that. Really appreciate your time, Satya. I know how busy you've been these—well, you always are, but especially even now. So, thanks for your time.

Satya Nadella:

Thank you so much, Todd. It's a real pleasure, as always. And look forward to being in touch.

Todd Gibbons:

Okay, take care.

Satya Nadella:

Cheers.

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