



PROFILES IN LEADERSHIP, COLLABORATION, AND EMPLOYEE ENGAGEMENT INTERVIEW SERIES

INTERVIEW WITH DAN HESSE



LIST OF PARTICIPANTS:

DAN HESSE

Current PNC Bank Board of Director's Member and former CEO of Sprint

STEVE KRASKE

Veteran Journalist and Radio Host

STEVE KRASKE

I'm Steve Kraske, and this is the Overland Resource Group podcast series – "Profiles in Leadership, Collaboration and Employee Engagement." These are stories about the surprising results organizations achieve... by experimenting with alternative approaches to working collaboratively, empowering employees and leading more creatively.

These stories are told by leaders of corporations, government agencies and the unions which represent their workforces as well as leading experts in the field of organizational change.

The series is underwritten by Overland Resource Group, a change leadership consultancy bringing transformative results to organizations for over 30 years. Today we're visiting with Dan Hesse who currently serves as a member of the board of directors of PNC Financial Services Group. Dan was president and CEO of Sprint from 2007 to 2014.

Among his many accolades, he was named "Most Influential Person in Mobile Technology" by LAPTOP magazine (ahead of Steve Jobs) and the Wireless Industry "Person of the Year" by RCR Magazine. In 2014, Glassdoor named Dan one of America's highest rated CEO's by employees (he was the only telecom CEO on the list). For Hesse's last two full calendar years as CEO, Sprint's Total Shareholder Return ranked No. 1 among all S&P 500 companies (Netflix was No. 2).

Well, Dan Hesse, welcome.

DAN HESSE

Hi, Steve. Great to be here.

STEVE KRASKE

You had an interesting response recently when you were asked what book on business leadership had the most influence on you. What was it?

DAN HESSE

Forbes called me and asked me, and I had interestingly just been interviewed for another book on the books that most impacted my life, and it was Plato's Republic.



STEVE KRASKE

That's going to surprise people.

DAN HESSE

Absolutely. And it was really my first book on leadership. I was a college undergraduate, actually a liberal arts undergraduate, and reading a philosophy book, and it was about why you should be good. And it talked about what characteristics leaders should have, because it was a discussion about why—who should be king, who should be leader, who should be ruler, between Socrates and a bunch of learned Greeks.

STEVE KRASKE

You make a point on your website, danhesse.com, that conscience-driven, ethical leaders can make a very positive impact on the world. What are you talking about there? Because I gather you're not necessarily referring to the bottom line.

DAN HESSE

I've always viewed business leadership as a vocation akin to the clergy, teaching, parenting, public service, because you can affect so many lives. You affect the lives and livelihoods of your employees, your shareholders, the communities, your suppliers, your customers. So for example, a company like Sprint—millions and millions of people—by not only what you do and how you do it. So it's not necessarily — the bottom line actually is helpful, because as the company does better, the company has more resources to do good.

STEVE KRASKE

More options.

DAN HESSE

And more options. So for example, look at Sprint here in Kansas City. Almost every fundraiser event, Sprint's sponsoring it, buying tables, supporting the community and wouldn't be able to do it if the company wasn't successful. So it doesn't mean — it's not in lieu of the bottom line, but it's — the bottom line helps to do good. Purpose-driven.

STEVE KRASKE

Plato once said, going back to him, that the best leaders often don't seek to be leaders — they don't seek power. What do you make of that?

DAN HESSE

Well, I think it's almost human nature. The people you trust are those who aren't looking for power. That's why you're willing to give them power. You trust them to use it wisely. And Plato actually talks about the leaders that are the best leaders actually care more about their subjects than they do themselves. So I think those people — a lot of leaders, people who are natural leaders don't seek the position of leader, and that's, quite frankly, why we're attracted to them.

STEVE KRASKE

You've said that the humanities "still have a place in business and in politics." And you mean what by that?

DAN HESSE

So much of business and politics is just understanding people, and humanities

is really the study of humans — how we think and how we behave. So whether it's marketing and understanding behavior, understanding your employees — that's important. I used to work at AT&T, and AT&T did the largest longitudinal study. They did it over 30 years of what, actually, undergraduate degrees...led to the most success in business through their careers at AT&T over a 30-year period. And surprisingly, liberal arts came out number one.

STEVE KRASKE

That's going to surprise a lot of people.

DAN HESSE

It was very surprising, because actually AT&T, at the time, really looked mainly for engineers and then people in the sciences, because it was a technology company. And what they found was the liberal arts undergraduates, they spoke better; they wrote better; they communicated better. They understood the real world, versus, an exam let's say, in math or engineering, where there was a right answer. The answer was 29.3. In the real world, there are shades of gray. There's not a right or wrong answer, and that ambiguity liberal arts majors dealt with much more easily.

STEVE KRASKE

But that idea that there's so much value in the liberal arts has just gotten crushed of late. What needs to happen to change that, and what do business leaders need to think about in their hiring practices as a result?

DAN HESSE

Well, that's a tough one, and actually you're seeing it in colleges, where fewer and fewer students are studying the liberal arts as undergraduates. I personally believe that business, for example, should be a graduate degree. So there shouldn't be an undergraduate business degree; you should go and get an MBA almost like a professional degree, almost like a law degree. You can't get an undergraduate degree in law. You get an undergraduate degree in something else and then study law as a profession. That's my view. It's not a very popular view, and it's difficult, of course, because it's more years of college, and I'm sure there's ways that you can figure out where you have a— and this is, by the way, why engineering degrees have improved.

So years ago, engineers didn't do nearly as well in school. This study that I'm talking about was used by a lot of engineering schools to add more, we'll call it liberal arts classes as part of the engineering curriculum—more writing, speaking, those kinds of classes, so their graduates come out with more rounded backgrounds. So that has been a positive outgrowth. I don't know the answer to it, but the ideal background, in my view, is somebody who has, in essence, a different graduate degree than their undergraduate. A liberal arts undergraduate degree is fantastic to have, but everybody can't afford to go to school for five or six years.

STEVE KRASKE

You know Dan, you're a very big fan of the Kansas City Royals, the 2015 World Series champs, I should point out. What can business leaders learn from the

Kansas City Royals and the way they played baseball?

DAN HESSE

I think number one—they took the long-term view. They built a farm system, which meant that they had to be willing, quite frankly, to lose for seven years before they started to win. And then, you know, they won. And then next year, they won even more, and the following year even more — they built that foundation. It was similar to when I was running Sprint, and we had —you know, we were the fastest-growing mobile company in terms of “post” ads, which is vernacular in the industry, but very important. We had risen to the top of the customer satisfaction ratings and what have you.

But if we wanted sustained performance, we needed a great network, so we just had to tear it out and take two years of pain and spend two years in last place, because it was so disruptive to tear it all out and put it back in. But then, when you get that foundation — I think that’s number one. They have that farm system, so you have players like Salvy and Gordon and Moustakas, you know, Hosmer, who have come up through the farm system. They really care for their players. They trust the players, so they delegate. So, the big play in the World Series, where Hosmer took off for (home) —he wasn’t told to do that. He did that on his own.

And perhaps most importantly, we were watching the dugouts last night, and the Royals dugout, even when they’re behind — you always look at the calmness. There is a calmness that comes with great organizations and great companies. There’s never chaos from the leadership. The leadership has this calm confidence that the players look at and look for, and they respond to it.

STEVE KRASKE

Given all that, how difficult is it to balance short-term results with planning for the long-term and investing in sustainable growth as you just described in terms of what you went through at Sprint?

DAN HESSE

It is difficult. There’s a real focus on quarter to quarter to quarter, driven by the stock price, Wall Street and what have you. And the issue also, in my view, is kind of Delaware law. If you’re running a company, you have to run the company, legally as a CEO, only for the shareholders. And there’s a movement now to start looking broader, at other constituents or stakeholders — they call it stakeholder versus shareholder — which are your employees and your communities and your suppliers and your customers. It’s not just your shareholders, and I believe that’s important.

The problem — actually Larry Fink and Blackstone have been talking about changing incentives so that there would be more long-term focus, and I think that’s absolutely the right thing to do. Even if you take a look at share price, that’s not really in the interest of all shareholders. It’s only in the interest of your traders, because if you think of what influences the stock price, it

goes up and down, it's only those people buying and selling. Your long-term shareholders don't vote in that, because they buy their stock and they sit on it for 10 or 20 years. They're not impacting the stock price and the pay of the CEOs and how well the company is perceived to be doing, etcetera, etcetera. So, I don't even think long-term shareholders are well-served by the current model.

STEVE KRASKE

You know, when leading a company of Sprint's size, Dan, how often were you able to enjoy the wins? Or were you always immediately moving onto the next challenge?

DAN HESSE

Well, I talked a better game than I walked, probably in that regard, in terms of enjoying the successes. The one I really did go out of my way to try to enjoy is — our number one goal as a company was great customer experience. So we set a goal of winning J.D. Power Awards. So I told the team: "Every time we win a J.D. Power Award, I will personally pick it up. I will go and pick it up." And when it was me personally, the president of J.D. Power, he came personally. So we almost became -- Finbarr O'Neill. We got to know each other pretty well. It was like an event. We won 20 over a period of a few years, and so that was a way of forcing, if you will, that celebration.

STEVE KRASKE

You know, you're best-known for leading Sprint. But you also had major leadership roles at AT&T Wireless, Terabeam Corp., and Embarq. What's the particular challenge of leading telecommunications companies that are evolving so rapidly?

DAN HESSE

I think number one, especially larger companies that move so quickly, is you have to learn to delegate, because a company moves as fast as the number of decisions that are made every day, which is directly related to how many decision-makers you have. The more decision-makers, the more stuff gets decided and done, and the company needs to move. So, any company that is hub and spoke, command and control, or what have you, if it's of scale in tech, it cannot do well. There has to be a lot of delegation.

The other is, and Plato talks about the importance of continuously learning as a CEO —technology changes so rapidly. You have to study, study, study. I would take my team, regularly, my leadership team -- we would go to Silicon Valley about four times a year. We entered into this program called the innovation partners program, where we would just learn about everything from robotics to 3D printing to data algorithms and just get immersed in it constantly, because you have to be up on it.

STEVE KRASKE

Even things outside the immediate purview of telecommunications?

DAN HESSE

Absolutely, because they're going to influence your business in some way or

compete with your business down the road. You don't know who your next competitor is going to be, so, our next competitors are likely to be Apple, Google. They're not telecom companies. Even if you look at Verizon today, in like locally, they're dealing with Google, as you know Google Fiber. Their cloud services are competing with Amazon. Their video services, they're competing with Netflix. These are not other telecom companies that are coming, and in a sense, moving into their space.

STEVE KRASKE

I want to touch briefly on unions. You say that unions don't have a place in an industry like telecommunications precisely because that industry is evolving so quickly. Why is that?

DAN HESSE

Um, you know, I used Verizon as an example. You're competing largely with companies that don't have rules, and in my experiences — and by the way, I've worked closely with unions. When I was at AT&T, Jim Irvine of the CWA. When I was at Embarq, Larry Cohen was the president of the CWA. Fantastic people. Good hearts, and we worked together well. But the key to tech companies is really no rules, because the business model is changing constantly. The competitors are changing constantly. You have to move on a dime, and you know, I just think that in an industry that moves that fast, unionized companies, and actually the only part of the telecom industry that continues to be unionized is really the old landline business, and they're having a difficult time surviving. I think part of it is the old structure, and this person can only do that job, and this other person can only do that job.

STEVE KRASKE

You know, smart phones have transformed the way we do business, Dan. Is there a downside? Are we having fewer and fewer face-to-face meetings? And how big of an issue is that?

DAN HESSE

I think it is an issue, and I'm concerned about it. The next generation, I mean they're changing. They call it fast-switch wiring. They multitask and what have you, but if you go to a school cafeteria, and I even watch it like after baseball games at you know, when my son who plays baseball, you know, they'll go to Chik-Fil-A. They're across the table from each other, and they're texting instead of talking. It's just the conversation, and my son, if I call him on the phone, he's not going to answer it. If I text him, he'll send me back a text message, and that's a different form of communication.

STEVE KRASKE

As digital communication continues to evolve, what's the future of the smartphone?

DAN HESSE

Well, I think it's going to just get smarter and smarter, and it's -- what's interesting is that for years and years, it was getting smaller and smaller, and now it's getting bigger and bigger and bigger, because now, of course, the applications are changing. It's moving so much to video and screen and screen quality.



A lot of the young generation — I mean they don't even think about having a TV or cable anymore. They're watching it on their smartphone, and you're almost seeing this merger of the tablet and the smartphone and what they call "fablets," which is something in-between. So the smartphone has actually moved up from a 3-inch to a 4-inch to a 5-inch, now to a 6-inch screen. Tablets tend to have 7, so I think the real issue for smartphones is battery, because they're using so much processor and particularly the pixels on a screen. You're getting to 4K, you know high definition 4K. It needs a lot more energy, and battery technology just hasn't been keeping up with everything else.

STEVE KRASKE

Well, Dan Hesse, former president and CEO of Sprint, thank you very much.

DAN HESSE

Thanks so much. Great to be here, Steve.

STEVE KRASKE

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