

# TRAILBLAZERS TALK

Ravi Kumar S,  
President, Infosys,  
with Carmine Di  
Sibio, Global  
Chairman and CEO,  
EY

### **Ravi Kumar [0:10]**

Hello, everyone, my name is Ravi Kumar, President at Infosys. Welcome to this new version of Trailblazers. I know we used to do this in person, but we have switched to a virtual mode. Trailblazers, as most of you know, is a series of conversations with distinguished leaders who are making a significant impact challenging the status quo and we draw this leadership series from enterprises, from academia and from public policy makers. Today, I have such a distinguished guest, Carmine Di Sibio, the Global Chair and CEO of Ernst & Young, one of the largest professional services organizations in the world with more than 280,000 people in more than 150 countries. Carmine actually started his career in Ernst & Young in 1985, and served as an advisory and assurance partner for many financial services clients. He went on to spearhead innovation efforts, M&A efforts, and then was a Global Managing Partner for Client Services. And here he is now, the EY Global Chair and CEO.

Carmine, thank you so much for joining and spending some time today.

### **Carmine Di Sibio [1:31]**

Ravi, thank you. It's great to be here and thank you so much for those kind words. You made me sound a little bit old there by referring to 1985, but that is true. I have been in EY for 35 years. But, it's great to be here.

### **Ravi Kumar [1:45]**

Carmine, you look young and smart as always. So, you know one of the fascinating topics of these times is how business is the biggest platform for societal change. And when this topic came to my mind, there wasn't any name which came to me, except yours. You are probably a pioneer in this space. You've been in action for many, many years in this space. So, over to my first question to you, Carmine.

In August of last year, almost 180 CEOs in the Business Roundtable publicly abandoned the principle of shareholder primacy. They signed up for it. In fact, you were a part of the Business Roundtable as well, in favor of the view that businesses have an obligation to a broader set of stakeholders - people, communities, and customers. The popular belief of Milton Friedman, who wrote 50 years ago, that the social responsibility of businesses was to maximize shareholder value. Some say it doesn't stand the test of time and some argue the other way around, saying shareholder primacy is not a zero-sum game, that the corporations who best serve their customers, communities and employees are often the ones who serve their shareholders very well as well. Which side of the debate do you fall in and what is your view on this?

### **Carmine Di Sibio [3:19]**

Well, Ravi, thanks for the question and obviously I am not for Milton Friedman's statement. But, I go back a little bit in corporate history in the U.S. to where corporations were in particular in the 50s and the 60s versus what they became in the 80s and 90s. And if you think about it, in the 50s and 60s, corporations all over the United States were flourishing. There was a lot after the war. And so, what to do? There was a lot of manufacturing. And so, they created tremendous amount of jobs. They also created wealth, but they also created community. So many cities in the U.S. have been built around particular corporations that happened to be there or move there. And the corporations worked very much hand in hand - today we call them public private partnerships - and they work hand in hand with local government, or state government to do more and more for the society. And so, in the 50s and 60s, that's what was going on. And maybe even into the 70s. I think the 80s and 90s changed things. And I think the market became very different, because of efficiency, corporate raiders, and different market participants that kind of forced corporations into being something different, into being something more

around shareholder value period, cutting costs. If you go back in history, a lot of famous CEOs during that time made a name for themselves. In terms of Chainsaw AI and all these people cutting costs. And I think that has come to roost. That is not sustainable. And that really has culminated in last August when I think companies, corporates in America and around the world said enough is enough, we have to do more otherwise we're not going to be in existence. And that really spearheaded the Business Roundtable to gather itself around the question of what is a corporation. You know, a corporation is an entity that needs to fulfill all its stakeholder needs, not just its shareholders', but also the needs of its clients, people and society. And as you said, over a 180 CEOs signed this declaration about a year and a half ago now. And they're living up to it in different ways. A lot of what we've been doing at EY is around that as well. We've been talking a lot around long-term value and making sure that we at EY are looking at ourselves from a long-term perspective, but we're also advising our clients to look at themselves from a long-term perspective.

#### **Ravi Kumar [6:13]**

And Carmine, if I may just add to what you just said, and those are the fascinating thoughts, is it that Milton Friedman plus plus - is it profit and purpose, versus profit versus purpose kind of a thing.

#### **Carmine Di Sibio [6:28]**

Yes. Ravi, it's an 'and' not an 'or'. And that's important, because some people think we're moving all the way to one side and profits don't matter. And so, now that's not the answer either. You know, this has to be a balance. And the simple answer is it's an end. So, it's profits and purpose and making sure that all stakeholders are taken care of. It's really what creates long term value in a company.

#### **Ravi Kumar [6:57]**

And do you see the balance happening now or...?

#### **Carmine Di Sibio [7:04]**

I think it's starting to happen and it's happening with some companies more than others. So, you know, some of the leaders of the Business Roundtable, I'd see it happening. And it's happening, Ravi, for a lot of different reasons. We'll get to the pandemic in a second, but if you think about employees, you know, in this world today, if you don't have the best talent – and you know this at Infosys – if you don't have the best talent, you're not going to win at the end of the day. And employees are demanding a lot of different things from their companies. And so, you have to satisfy your employees. You have to make your place of work a place they want to be at. You have to make it so there's upward mobility in your place of work and you have to make it an environment, a culture that they're going to want to be in. And so, the employees have had more and more of a say because of the fact that there's so much talent that's needed out there than ever before. And then you get into clients. I mean, clients are a big factor here. And there are customers. You and I are in a similar business. And you know, we always say clients are important. And I always tell our leaders you might have an internal role, like you and I do, but it's important that we're out there with clients. That's what pays the bills. We have to understand our clients and our customers and then the third area is society, and that's where today it's very different than 5, 10 years ago, because capitalism has been brought out on the table and it is being asked if capitalism is the better way to go. And the only way it's going to be the better way to go is if everyone does better because of capitalism. And there's no doubt over the last 5 to 10 years that there's been a divide and some people have done much better and others have not come along at the same rate. And that's something that we're all trying to deal with in terms of helping society overall.

### **Ravi Kumar [9:02]**

And Carmine, do you believe that this conversation now is an inflection point for everybody to join the party, as they call it? Or do you see this differentiating the good and the bad much more – in terms of corporations who sign up for this broader charter for themselves?

### **Carmine Di Sibio [9:27]**

I actually think it is an inflection point, Ravi, and I think in a strange way, the pandemic and some of the events around the world have helped this. So, some of the racial inequities in the United States that have broadened globally have brought out the fact that things are not equal and that people need more of a chance and that there's bias in the world. The other item that's come out of the pandemic and the importance of it is around sustainability. And we have to do more for the planet. And this is something that you know, some people thought once we got into this pandemic, no one would care about the environment anymore. And that's not true. I am seeing completely the opposite. There's more focus on the environment. Some of it because of what we're seeing out there, you know, fires in California, hurricanes, what has never been in the Americas. And so, these two things, social inequity, and sustainability and the environment are two things that are coming out of the pandemic, and all companies are focused on them.

### **Ravi Kumar [10:33]**

Thank you, Carmine. Just to follow up on this specific topic you spoke about – long-term value. And I know you're almost leading that effort of 30 large enterprises on the embankment project for inclusive capitalism, for measuring long term sustainable value and driving the financial markets to value it in that way, and change the way they value today. How is that effort going? And how does that Consortium - its \$30 trillion of assets underneath that almost 30% of the global GDP - how does that Consortium help change the narrative with the financial markets?

### **Carmine Di Sibio [11:21]**

So, Ravi, we started the embankment project over two years ago now. And it really was focused on the long term. And we got companies together to come up with how do we really propose and how do we really push for long term value. And as part of that, we developed some metrics that we wanted companies to really disclose. And the nice thing was, it was 30 global companies, we put out a report, and it was asset managers, asset owners and corporates. And everyone agreed that these long-term value metrics were incredibly important. And we did a deep dive into human capital metrics as part of that project. And that report was put out probably about a year ago or so. The nice thing is that, that fit very well into the BRT statement and into what BRT was doing. And so, then the BRT came out with its statement in terms of what a corporation is. But to me, what's even more exciting is that then beyond that, we've been part of a real effort that's been going on at the International Business Council, which is part of the World Economic Forum. The International Business Council is run by Brian Moynihan, the CEO of Bank of America. And it has over 120 of the largest companies in the world as members. And Brian Moynihan, combined with Klaus Schwab, the leader of the World Economic Forum, pulled together their teams, as well as all of the Big Four. So not just EY, but KPMG, DT and PwC, to work together on a project to create metrics that all the IBC members would rally around, and disclose in terms of, you know, their efforts towards these metrics. And so, this has been over a year-long project that we've been working on with the other big four. So, our teams came up with 21 metrics. The metrics are divided into four categories - people, planet, prosperity, and governance. Actually, each one of the big four took a category. They were socialized, they were developed and now we put out a report about a month ago on what these metrics are. And we've been talking to all our clients out there, all the companies, trying to

make sure that we have support in getting these companies to use these metrics. And the plan is that by January, at the next World Economic Forum, there will be a similar signing as the BRT that a certain amount of the IBC members will commit to disclosing these 21 metrics in those categories that I mentioned. And so, this will be a start to getting all companies to disclose metrics in those four different areas that really fit right into long term value and what long term value is.

#### **Ravi Kumar [14:17]**

So, with the advent of digital capabilities, there is a shift from degrees to skills, because skills are depleting faster, and they are shrinking faster. And the pandemic in some sense has accelerated those digital embrace. And in a way, I think, as we get to the other side of the crisis, skills will play a bigger role. And as they play a bigger role, I would believe that the divide and the 'inclusion' conversation you did, it might contribute positively to it, because cost of education has gone up by 150% in the last 20 years, versus 50% of inflation in the last 20 years in the United States. So, digital jobs, in some ways will start to bridge that divide. What's your view on this, and I know EY is doing a ton of work in the space.

#### **Carmine Di Sibio [15:12]**

I agree with you 100% on this. We are doing a lot of work, in particular in the U.S. in different cities, where we and other companies are combining with local colleges, community colleges, to create programs where people can be skilled in particular technologies, and then we will hire them. What we're also doing, Ravi is, you know, over time, what's happened and this is true across all our clients, all these jobs out there, the specs for the jobs are way overqualified versus what's needed for the job. And so, you know, you need a PhD to do a simple job these days. So, we're all going back. And most companies are doing this. And we are looking at the requirements to make sure that the requirements are really apt for the job. And I think that's going to help as well. Skills development, in particularly tech, is the future. I think it will be something that will help the 'have-nots' more than almost anything else. And I also think it's time that the educational system in the United States is looked at hard, because, you know, paying \$75,000 a year for a four year degree – and look I'm a big proponent of the school I went to – but that's something that's going to be looked at very carefully, because unless you see real value in that, that's not going to exist going forward. And I think more in terms of developing skills, skills that are needed in particular, obviously, in technology, that's the way going forward. And it's going to be a really good way to bring the divide closer together and to help everyone out there.

#### **Ravi Kumar [16:56]**

Thank you, Carmine. One other force, which ironically, again the pandemic has kind of accelerated it, is virtualization and democratization of work. As more and more work goes virtual, the other side of the health crisis will still see a hybrid workplace - and we will not fully go back to the world we all lived in - as work gets virtualized, it will go away from richer urban settings to a much broader spectrum of the society. And therefore, it would get access to rural settings, it would get access to people who want to do part-time work, who had disabilities and couldn't access workspaces, and a variety of things. And I believe that's again an inflection point to contribute to inclusivity and diversity in workspaces. That's something which I personally believe will happen after the crisis.

#### **Carmine Di Sibio [17:52]**

No, I agree. I think it will happen as well, Ravi. And, you know, as I've heard some people say, the crisis has caused us to get a glimpse of the future. And I think that's accurate. And so, I do think there are a lot of positives in terms of what you're saying in terms of people being able to

work anywhere, getting more of the rural community into jobs, where they can work from home. So, I'm in agreement with all that. But what I am not in agreement with is, you know, the way we're working today, it just continuing. People are social animals. I think people are going to want to be together. I think office environments are here to stay, but they will change. There'll be more convening space, and so forth, which a lot of offices are already moving to that. We had 15 to 20% of our people working from home, on any given day, before the pandemic, is that going to be 30 or 40%, on any given day going forward? Maybe. But it's not going to be 90, you know, it's not going to be 90. Right now, where we are, there's actually much more of a burning need for people to get together. People are suffering from mental health issues. CEOs are worried about their culture, cultures going away. We were able to last this way for 5 or 6 months, mostly on the capital that was built prior to the pandemic. As we come up to now what will be a year, that's going to be a big impact on many companies. And so, I do think there'll be a balance to your point, you might see a little bit of a reaction to everyone trying to get back at one time, and you're going to see travel, actually leisure travel, at some point. But after you get through all that, I would agree there will be a way to do this that will make sense.

#### **Ravi Kumar [19:44]**

Thank you, Carmine. I just want to squeeze one last question for you and this is my personal favorite. It's a little bit about your own personal story, and I think the audience should know this. You are the living proof of an American dream. I want to check with you, you know, a statement I heard from Ray Dalio, the founder of the biggest hedge fund, Bridgewater Associates. He recently spoke about how the American Dream doesn't exist. What do you think is the possibility for everyone who aspires to attain the American dream, like you?

#### **Carmine Di Sibio [20:18]**

I don't agree with Ray Dalio, I think the American Dream does exist. I think it takes a lot of hard work, and maybe some luck, you know. As you probably read, I was an immigrant into the United States. I came here with my family when I was three years old. I came here from Italy, a Southern Italian town where I was born. I learned how to speak English in the school systems, in the public school systems. And I have one brother, he was like me, except he was younger. So, he was only six months old when he came here. And my parents are blue collar people. My mom eventually didn't work. But she was a seamstress. And my dad was a construction person. And basically, the one thing though, that they encouraged, Ravi, is education. And I think that's the trick here. And that's the American Dream. I think if people are focused on education, and today that might be skills as we were talking about, I think that it's still the best place in the world to get ahead. And I was fortunate enough to have my parents really focus us on education. And when I say focus, I mean, if you've got a 90, that was not good enough, you needed to get a 98. And that's the way my brother and I grew up and were fortunate enough to go to good schools and get good jobs, and so forth. I still think a lot of that's alive in the U.S. today. But the parents have to be focused on education, and getting their kids educated. I think if that's the case, the American Dream is still alive, and kicking.

#### **Ravi Kumar [21:55]**

Thank you so much, Carmine, for sharing that. Such an inspirational story. On that good positive note, I know we can keep talking forever. On that positive note, I would like to end this conversation. Thank you for inspiring us every day. And actually, I read about you very often. And I keep getting inspired to get up and do more and more. And thank you for this wonderful conversation today.

#### **Carmine Di Sibio [22:18]**

Thank you, Ravi. It's been great being here. And thank you for all you do out in the marketplace and with society as well, you and the team at Infosys. It's a great organization and as you know, we work together well. So, thank you.

**Ravi Kumar**

Thank you, Carmine. Thanks for that wonderful conversation.