

Kellogg Insight Podcast Transcript: Great Leaders Ask, “What Really Matters?”

Jessica LOVE: Years ago, Harry Kraemer was the CEO of Baxter International, a company that makes healthcare products. One of those products was a dialyzer. Patients with kidney failure use a dialyzer to filter the toxins from their bodies.

Harry KRAEMER: So Baxter was one of the companies that invented dialyzers like 40 years ago, and just been a life-saving thing for people.

LOVE: But in August of 2001, something terrible happened, thrusting Kraemer into a full-blown leadership crisis. A patient in Spain died suddenly after using a Baxter dialyzer. A couple months later, several more patients died in Croatia—and then in Texas, Nebraska, and elsewhere. All of them had recently undergone dialysis with Baxter machines.

KRAEMER: Now, the obvious question is, people that have kidney failure, they've usually got several serious issues—nervous disorders and diabetes and everything else. So, did they die because of the Baxter dialyzer? Or did they die because they didn't have sterile water, or—there's a lot of complications, right? And so several people said, “Well, I don't think it's the Baxter dialyzer.” But you don't know that it's *not* the Baxter dialyzer.

LOVE: As CEO of Baxter, it was up to Kraemer to decide how the company would respond. A lot of companies would just wait it out and stay quiet—after all, no one could yet say for sure that Baxter dialyzers had caused these deaths. But that plan didn't sit well with Harry Kraemer.

KRAEMER: I said, “Wait a minute, if we're a healthcare company and our focus is to provide critical therapies for patients with life threatening conditions, if God forbid somebody dies, we should take responsibility for that.”

[musical interlude]

LOVE: Welcome to the *Kellogg Insight* podcast. I'm your host, Jessica Love. Part of any leader's job is to make tough choices. And as Harry Kraemer learned firsthand as the CEO of Baxter, a Fortune 500 company, it can be really hard to make sure those choices align with your internal compass. So how can you lead effectively without neglecting your values? Kraemer is now a clinical professor at Kellogg, and author of two books on what he calls values-based leadership. Today on the podcast, we'll hear parts of a presentation he gave last year on that topic. As Kraemer explains, it's never too early to start figuring out what you stand for, and what kind of leader you want to be.

KRAEMER: I think it's a journey, and I think every one of us can become a better leader every day.

LOVE: So, to begin with, you may be wondering: What do “values” actually mean in a leadership context? As Kraemer points out, there’s a big difference between values and preferences.

KRAEMER: I may have a preference in working with everybody here, “Let’s not swear.” That’s a preference. Now, if it turns out that you do that, I don’t like it, but I don’t think I’m going to fire you. It’s a preference. Now a value, though, is something very different. See, a value is something that, in my mind, is non-negotiable, and I will not compromise. See, because if I’m willing to compromise it, I don’t know what it is, but it’s certainly not a value. I think a lot of people haven’t taken the time to figure out what their values are. And if you don’t know what they are, well, then you can continuously move the guidepost here, because you never really took the time to figure it out.

LOVE: So, Kraemer says, the first step to being a values-based leader is figuring out just what you stand for.

KRAEMER: Take the time to self-reflect. And when I say self-reflect, for me what that means is, I turn off the noise, I turn off the gadgets, and I ask a couple of basic questions. “What is my purpose? No kidding around, what really matters?” So, once in a while a student will say, “Well can you give me a specific example of this self-reflection?” There’s an infinite number of ways to do this. The habit that I’ve had, for many years, is, I take 15 minutes at the end of every day and I go through a personal self-examination at the end of every day. “What did I say I was going to do today? What am I proud of? What am I not proud of?” And the last one is, “If I have tomorrow, based on what I learned today, how will I operate differently tomorrow?”

LOVE: Getting in touch with your values is critical. But, of course, if you want to be a leader, you have to *act* on those values as well. And that means actually solving problems. It’s a lesson that Kraemer learned early in his career.

KRAEMER: When I was a junior financial analyst, Jerry, our boss, he passed out a sheet of paper called, ‘Rules of the Game.’ I’ve kept this sheet for many, many years—one page, double-spaced. Rule number one: “Every issue or problem you bring to my attention, you receive one full point.” Very, very important. Rule number two: “Every solution you bring to my attention, you receive one thousand points.” Now those of you who are into math, think about the math very quickly. Rule number three—there’s only three rules—rule number three: “He or she with the most points wins.” So, if Lauren is my boss, that would be the last day I would go to Lauren and say, “Hey Lauren, I’ve got an issue.” No, if she’s my boss, I have a responsibility to tell her the issue, but I’m going to give her at least one solution. In fact, I’m going to give her at least two solutions. I’m going to go for the 2,000 points. I’d like to win the game.

LOVE: And of course, the thing about being a values-based leader is, your solutions need to align with what you believe in. Which brings us back to the crisis with the dialyzers that Kraemer faced back when he was CEO of Baxter. There were two ways to handle that problem: Avoid blame as long as possible, or take responsibility upfront. Kraemer knew that taking responsibility could potentially cause trouble for the company. But at the end of the day, it was the solution that he believed was right.

KRAEMER: So we ended up recalling all the product. We closed the plant, we wrote off 185 million dollars, and—a pretty tense situation—the stock went down. But then I had a lot of dialysis clinics that called up a couple months later and said, “Hey, you know what, we're going to start switching and using Baxter dialyzers.” And I said, “Why?” “Well, because I'm pretty confident that if you guys ever have problems that you're going to do something about it.”

[musical interlude]

LOVE: So maybe you've spent time reflecting on your values and you're ready to start applying those values to problems in your organization. Great! But, in Kraemer's experience, there's still one more thing that a lot of would-be leaders get hung up on.

KRAEMER: Very often sometimes, a younger person will come up to me when I talk about leadership and they'll say, “I want to be a leader. But Harry, I have this problem right now.” And I'll say, “Oh, what's the problem?” “Well, I don't have anybody reporting to me.” And I'll say, “Well, the people that are the leaders start leading long before they have anybody reporting to them. The best leaders, in my mind, they start leading ASAP.”

LOVE: In fact, Kraemer likes to tell a story about something that happened at his son's kindergarten graduation. As the kids were waiting in line before the ceremony, he noticed that one little boy was hiding a soccer ball under his shirt.

KRAEMER: And then all of the sudden, this little boy yells out, “Let the mom and dads pick up the paper”—I think that meant the diplomas—“Let's play soccer, now!” And immediately, this little guy whips out the soccer ball, and runs to the back of the school. All 25 children followed him, okay? So I ran around the back of the school, I was going to talk to Daniel, Daniel's my son. So I grab Daniel out of the game, I say, “Daniel, what just happened in front of that school?” And Daniel said, “Dad, Billy does this stuff every day.” And I said, “Well, what do you do?” He said, “We do whatever Billy tells us to do.” Somebody in this room should hire Billy now.

LOVE: Kids “value” playing, and this precocious kindergartener figured out how to translate that value into action. The story just goes to show: The idea of “leadership” can seem scary, and daunting. But, in reality...

KRAEMER: Leadership has nothing to do with titles and organizational charts. Leadership has everything to do with the ability to influence people to do things they may not ordinarily do. And the only way I know how to influence people, is you have to be able to relate to people. So, if I can relate to you, maybe I can influence you, and I can lead you. So this whole idea of what the person's title is, what the box is, who reports to who. A lot of people really care about that. But I think the people that are the leaders, they keep things very, very simple. What's the issue? What's the opportunity? What are your values? What are you going to do about it?

[musical interlude]

LOVE: This program was produced by Kevin Bailey, Jessica Love, Fred Schmalz, Jake Smith, Michael Spikes, and Emily Stone. It was written by Jake Smith, and edited by Michael Spikes. Special thanks to Harry Kraemer.

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We'll be back in a couple weeks with another episode of the *Kellogg Insight* podcast.