



HBS Entrepreneurs Oral History Collection

Baker Library Special Collections

Interview with Orit Gadiesh

Bain & Company

2001

Transcript available for research purposes only. Cannot be remounted or published without permission of Baker Library Special Collections.

Research Inquiries & Requests to Cite:

Baker Library Special Collections
Baker Library | Bloomberg Center
Harvard Business School
Boston, MA 02163
617.495.6411
specialcollectionsref@hbs.edu
<http://www.library.hbs.edu/sc>

Preferred Citation:

Interview with Orit Gadiesh, 2001, HBS Entrepreneurs Oral History Collection, Baker Library Special Collections, Harvard Business School.

ORIT GADIESH

The Early Years

I was born in Israel and grew up there. My father was born in Berlin. My mother was born in Kiev. They came to Israel because of World War II. When I was born, my father was in the military. He decided that the army should be well organized and well run, so he went to business school when he was still in the army and then came back and reorganized the army. He then left and became a CEO. He was actually considered the first professional CEO in Israel.

I went into the army like everybody does. I ended up working for the number two person in the military after the chief of staff. It was a pretty exciting place to be because all of the information—everything actually—was coordinated through there. I learned to deal with an awful lot of information, to be very responsible, and to work long hours. But also, when there were events going on, I was in the war room, which is a pretty confined space, and I learned to have respect for other people but also not to be intimidated by them, because they're people. I think that really helped me later on throughout my career.

I also saw people making really important decisions, life and death decisions, and I realized that you can't always afford to have perfect information, 100 percent of what you need, in order to make a decision. Later on, when I think about the way we do business at Bain, where we emphasize providing clients with solutions that are practical rather than perfect and where we often have to make decisions based on imperfect information, I think back to those days. And it just reinforces the idea that you can't always have perfect information in order to make a decision. I think I was too young to understand that fully at the time but it has certainly influenced me.

The army also exposed me to all different kinds of people. The Israeli army brings together people from many different cultures because Israel is very much an immigrant country; it still is. The Israeli is a little bit European, a little bit Middle Eastern, a little bit American, and within those broad groups there are so many different cultures as well. From Europe, for example, the Israeli is a little bit German, a little bit Polish, a little bit French, a little bit—you name it. And so I learned to be aware of different cultures and to tolerate different opinions. And somehow I think all of that influenced me as well, although again I was probably too young to register it at the time.

After the army, I got my undergraduate degree in psychology at the Hebrew University. I then started my doctorate, decided that's not what I wanted to do and, long story, I ended up in the United States at Harvard Business School.

The HBS Experience

My MBA has played an incredibly important role in my career. I wouldn't be where I am today without it.

Initially, I set out to earn a Doctorate in Business Administration (DBA) and planned to get an MBA along the way. I had imagined I was going to teach. So I started with the combined program that four or five of us got into, which meant you could do the MBA and the DBA in four years. Just to be on the safe side, I decided to finish the MBA first. After that, when I started my DBA, I decided that business was not something I wanted to teach. It was something I wanted to practice. So without an MBA, I probably wouldn't be doing what I'm doing at all and I might not even be in this country.

HBS was, in effect, the only school I applied to, mostly because it didn't require a background in economics or other subjects as most business schools did. I also had a friend who had studied at HBS, and when he talked about the experience it seemed very interesting. So I decided to submit an application. I actually wrote it in Hebrew and had somebody translate it for me. Then, just to be on the safe side, I also took that application to Wharton and they accepted me, literally, on the spot. They were also going to give me a scholarship, but I would have had to study statistics during the summer and I decided I didn't want to do that. So I came to Harvard, which didn't give scholarships for the MBA program. Also, inflation was really high at the time so it was expensive to take out a loan. But because I was also in the DBA program, I got a scholarship for my doctoral work, which, when I didn't finish the DBA, became a standing loan. That was the only way I could afford HBS and get through the program.

HBS was my introduction to the United States. I would read cases with my dictionary. I still remember the first case. It was eleven pages including the exhibits and it took me six hours to read. I was pretty desperate because literally every second word I had to look up in the dictionary. And the dictionary didn't give any business meaning to most of the words. For example, the dictionary described the word "contribution" as being something about giving to nonprofit organizations. So reading the cases was extremely time consuming and hard. And then I would take my dictionary to the classes or to exams. Exams were the worst. It would take me three times as long to read an exam. I'd always sit in the first row and if it was a really long exam, I'd write at the end, "This took me three hours and twenty-five minutes to write, but here's what I would have done had I had time to actually run the calculator."

In class, I forced myself to speak even though that was difficult too because of the language. If I couldn't find a word, I'd use six words to express the idea. I just had to force myself to do things like that and that's how I learned English. I also had never seen television, but I'd heard about advertisements. We didn't have TV advertisements in Israel; there were none. So I went to a classmate's dorm room and I would turn on the TV to see what the ads looked like. I also had never been to a large supermarket. So I went to a supermarket to see what it looked like and how products were set up and so on and so forth. One time, we had a final exam on cereal, something that I had never tasted. I still don't like it, but at the time, I didn't know what it was and I couldn't imagine there were sixteen varieties and why would you want more? I also had no idea who Johnny Carson was. So I was learning quickly about the United States and its culture, and I was learning the language. I had no problem when there was a case in Turkey or almost anywhere international. But I had a problem when Johnny Carson or cereal was part of the case.

In school, I paid almost no attention to the fact that I was a woman. I had enough challenges: learning English, figuring out business issues, figuring out how to study even though I couldn't read English as quickly as my peers. In fact, I had one course where the cases were forty or fifty pages long. I went to the professor and I said, "Are there any particular cases that I should read? Because I can't read each one of those every day with my English." And he said, "Well, why don't you just fail the class?" I thought to myself, "Well, I don't intend to." And I did, actually, get an excellent grade in that class.

I studied all different areas of business as well. I think it was important for me to not get too focused on any one area at that early stage. Had I completed my doctoral program, I would have focused on marketing because I was interested in that. But instead I took a broad mix of courses in my second year. I benefited from that and, actually, that absolutely has helped me throughout my career. I learned that you should be able to focus on one or two things and be extremely good at them but if you lose your curiosity about other things you're not going to be good even in the few things you focus on. You'll be much too narrow minded or much too narrowly focused.

The other interesting thing about HBS was the case method. The first class I was in, I thought, "This is nuts." Then I realized that it was a great teaching method because it forces you to be involved. It forces you to be a part of the discussion. It forces you to listen to the way other people think about a problem. You're active as opposed to just passively listening to a lecture. And it allows you to draw on things that are not in the case but that maybe you learned that morning in marketing. I am on the HBS Visiting Committee and every now and then they teach a case. I just love it. I really enjoy it. And again, almost always in real life you make decisions based on "imperfect information" to some degree, and the case method is a good exercise to prepare you for that.

Early Career

It's very hard when you are just coming out of an MBA program to figure out what life is really going to be like and bid for a job. But I was drawn to consulting because of the problem-solving part of it, which has always been my interest. And what I loved about Bain and Company was how practical it was. It was not about reports; it was about results. It's still not about reports. It's still about results. I have still never looked at a report. I don't think there is any other consultant who can say that. And it was very clear, when Bill Bain talked about the company, that he and the other people at Bain were passionate about results.

Focusing on results calls for a different way of doing consulting. Now, mind you, I could barely write good English so the idea of not writing reports was a big plus for me. But I liked the idea that you really were thinking about results and implementation and not just a report. That causes you to think about how you're going to communicate with clients, what you're going to communicate, and how perfect the information has to be to find a workable solution. That's different from typical consulting, where the focus is to convince clients that the solution is theirs and that it's the right solution for them so they will implement it. At Bain, it was all about solutions and implementation, and that appealed to me.

Bill Bain had been the number two guy at Boston Consulting Group (BCG) and, by all accounts, was going to be running BCG eventually. But his idea of focusing on results was at the time a fundamentally different way of approaching consulting. BCG focuses on ideas and on developing tools that we all still use today and I give them credit because they're fantastic tools. But Bill wanted to take it a step further and not just leave clients with ideas. He wanted to focus on results, not reports. That was revolutionary at the time. Changing course for a boat that was working very well—and BCG was doing extremely well and was very highly regarded—would not have been easy. So Bill started his own consulting firm.

That was the Bain I joined and that's how we differentiate ourselves from our competitors. Being anchored in this idea of results not reports keeps us focused. So we're constantly asking ourselves, when I call Monday morning at 8:00, what is the client actually going to have to do in order to make our recommendations happen? The case is not finished unless we know what steps he's going to take to implement the solution. And there's something I call the 80-100 rule, which means you don't want a 100 percent perfect solution if an organization at this time in its history cannot implement it. It's better to have an 80 percent solution if the organization can implement it. Eighty times one is eighty; 100 times zero is zero.

This practical approach, focusing on strategy and results, is what we call our "True North." And with that you have something you can evolve around and build on. Everybody in the organization knows that that is the core of what we do. You can build new practices, you can experiment with new ideas, you can also move very quickly and change, as long as you know that this is the focus that you're all working toward. And I think it has served us very well.

First Client

My first major client was a company in the steel industry, which was, at the time, an uncommon place for a woman. I worked in the steel industry for about five years. We worked on all different aspects of the industry, but at the end of the day one of the things we figured out was how they could save an awful lot of money by continuously casting almost 100 percent of the steel. At that time, there was some continuous casting going on, mainly in Japan, but it was more common to reset the production processes for every different type of steel needed. We discovered, however, that if the company could move to continuous casting, they would be able to save between \$80 and \$100 per ton.

The issue was that in order to continuously cast steel, you could use only one mix. But there are many different varieties of steel, requiring different mixes, that different customers need. There are different alloys you add to steel to make it higher quality, lower quality, stronger, softer—whatever. But we thought if we could reduce the number of steel varieties and the number of mixes used, we could introduce continuous casting and save a lot in the production process. That was unheard of in the United States.

Everybody said, “No, customers won’t want it.” So I went and talked to customers and found that they actually would be happy to do that. We found that there were a lot of customers who were perfectly happy to take a higher-quality steel as long as they didn’t have to pay much more for it.

Then I was stuck with a metallurgist who said that it could not be done. He explained to me why there are 300 different kinds of steel. I didn’t know anything about metallurgy but I went through all of the varieties of steel and had him explain to me what each one of those steels was meant for and then I asked questions and triggered him to think. “If we added aluminum to this, would this still satisfy this kind of customer?” He said, “Oh, yes, that would be much higher quality than they need.” We were able to bring the number of varieties down from 300-and-some to thirty. By the end of the discussion, the guy absolutely believed I knew metallurgy, which I did not. It was just this practical way of working.

The company did indeed build a continuous caster, and they did indeed save a lot of money, and they did indeed turnaround from being number I don’t know what to being number one in productivity in the country. That’s an example of the work we do at Bain. It’s invigorating to have real impact like that.

Being a Woman in Business

The first time we met with both the CEO and the CFO of the steel company, I had two presentations to give. I was with one of the founders of Bain. My manager was there too. In fact, I was the most junior person there.

At one point, the CFO was talking about how he was going to arrange a tour for us of the other steel companies. In the steel industry, companies shared a lot of information with each other. They still do in order to prevent accidents and so on, for safety reasons. Anyway, the CFO was talking quite enthusiastically about arranging a tour for us and then he stopped and froze. He was looking at me and then he said, “Well, I don’t know about Orit.” Nobody had any clue what he was talking about. Then he said, “Well, you see, women are considered bad luck in our industry,” and everybody froze, the CEO and all the people in our group from Bain and Company. I just turned around and said, “Well, in that case, I think that you should make sure that I go to every single one of your competitors.”

That broke the ice and that was it. I went on to work in the steel industry for five years. I loved it. They even made a special hat for me. It said, Orit Gadiesh and then it said, “The Little Light Will Lead Us,” because my name Orit comes from the Hebrew word for light. I was definitely one of the guys and I enjoyed it.

Actually, there was one other funny story. In the steel industry, people used to use a lot of four-letter words. At the beginning, people would realize I was there and it would make them uncomfortable. They’d say, “Oops! I’m sorry. There’s a lady in the room.” I remember once

sitting in a room with the guy who later became the CEO. And he said something that had a four-letter word in it, and suddenly he said, “Oh, there’s a lady in the room.”

And he turned to me and he said, “Yes, and as I was saying to you yesterday, Orit,” and he repeated it again so he actually made a point, which is kind of fun. Another time, there was a big meeting and this was clearly holding everybody up. So I looked for the right time and I used one of those four-letter words in a sentence the way they did, and that was it. They were comfortable talking again. And then we were just working and moving forward together. I thought, if that’s the language here, then that’s fine.

The lesson I learned was never to take it personally when somebody thought that a woman couldn’t do something, whether it was a client or even a colleague at Bain. For example, once at Bain, very early on, one of the founders, one of the managers, and I were visiting a client. At one point, the founder said, “Dan, why don’t you go and talk to X? Orit, why don’t you go and talk to—oh! Actually, I’m not sure how he’d react to a woman.” I didn’t say anything then but the next day, I knocked on his door and said, “Did you realize what you did yesterday?” And he said, “No. What did I do?” I told him and then I said, “I completely understand. But if I don’t get a chance, then none of us, not Bain, not you, and not I, will ever know if I can actually talk to people like that and if we can have a productive conversation.” He was very thoughtful. And the next time we went together to a meeting, he gave me a chance to have an important conversation. The conversation went well and that was that. I had taken some responsibility for managing the situation. I hadn’t gotten upset. And I knew that this was not personal.

It was the same with clients. I’d walk in and they would always assume that I was the most junior person. I learned to use either a sense of humor or other little tricks to force them to forget that I was a woman and to just focus on what we were doing. One time, for example, I was with the CEO of a company in the Midwest. I’d actually been on the case for a while. I was a manager. I had a brand new consultant with me, a young guy named Paul. We were sitting talking with the CEO. I would ask a question and the CEO would listen to me and then he would direct his response to Paul. It made it difficult for us to really engage in a discussion. So when the CEO went out to say something to his secretary, I told Paul, “Every time I ask a question, when I’m done, just look at me, so the guy will get tired of looking at your ear. He’ll have to look at me as well.” And, honest to God, half an hour later, the guy was just looking at me and we had a good discussion, and we continued to have good discussions after that. I never had to say a word.

You can have a sense of humor. You can know that it’s not personal. And you can just find creative ways to solve the problem. But at the end of the day, the most important thing is that you deliver. That’s not unlike what guys have to do. And frankly, in most cases, once people get over the fact that you’re a woman and start focusing on what you’re saying and what you’re doing and the results that you provide, the fact that you’re a woman is completely forgotten. It’s like in the steel business. After a certain point, I don’t think they could even remember that at one point in time that they even thought about me being a woman versus a man.

The Automotive Industry

Later, I worked in the automotive industry with a major car company. We started with two little projects but quickly discovered something not related to either one of those projects. We realized there was too much complexity in the number of options for cars being offered. Basically, you could have any combination of options you wanted. So the car manufacturers were producing cars with all kinds of options, and not necessarily based on market studies of the combinations customers preferred. So there were either too many cars that people were not particularly interested in or it would take a year to get your car with the options you wanted. We calculated that there were about ten billion combinations of just about every car line they had and that was, of course, absurd. That didn't make sense for suppliers, for dealers, or for manufacturers.

So we came up with a program to reduce the number of combinations of cars made in the plant from ten billion to just fourteen. If somebody wanted a special car, they could still order it but it would take longer. To reduce the number of combinations so dramatically, we went back and looked at all the cars that were purchased. From all of that data, we figured out which combinations people preferred. Our findings were pretty intuitive actually. The salespeople said the dealers would hate it. In fact, the dealers were ecstatic because too often they'd had cars sitting on the lot that nobody wanted. The customers liked it because we had figured out the options they tended to prefer so they weren't walking away with options they didn't really want. And of course the manufacturing team loved it because you could save a hell of a lot of money by streamlining production and limiting the number of combinations you had to manufacture.

Initially, neither the salespeople nor the marketing people liked it, because they really believed that customers wanted all kinds of options. From the time of Ford, when you could have "any color you wanted as long as it was black," to Sloane, where you could have absolutely anything you wanted, the industry had gone from one extreme to the other. To make a long story short, we were able to convince the marketing and sales people that this would work. And eventually we were able to come up with this program, which reduced the time to delivery from months and months to days. And throughout the entire system, from the suppliers to the manufacturers to the dealers, we ended up saving this company on the order of \$9.5 billion a year. This was in the late 1980s. I'd say the company was proud of our work and we were proud of our work.

We learned some of this from Toyota and Nissan. But you learn from wherever you can. If you're really good at what you do, you learn in one industry from what somebody's doing in another industry. That's one of the benefits of working on a broad set of issues in diverse industries and always bringing them into whatever you're doing.

Hard Times at Bain

After all of these years, I think dwelling on precisely what happened is kind of irrelevant. The fact is that the founders of Bain started to take some money out. They had some bad advice from an investment banker and they took too much money out of the company. That meant the

company was burdened with a lot of debt relative to its size, with a very high interest payment going forward. The model they had used was based on the company growing at a profit of 50 percent a year. Although the company had grown at that rate in the past, it was, of course, not practical. To make a long story short, that was an unsustainable model.

The first inkling the rest of us had of the situation was when the founder fired people, which was a complete break in the unwritten social agreement that existed at Bain and Company. Because we're a consulting firm and this was an ESOP, the labor department eventually made the whole transaction public. That's how the rest of us learned what, exactly, was happening. After that, we had to turn around the company without the founder. But I'll give Bill Bain credit; he was the first one to realize that he had made a mistake. He asked Mitt Romney to come and help and then Bill Bain worked hard to try and help turn the situation around. The founders had to give back some money. We had to negotiate with banks, and so on and so forth. But it's a situation that very few service firms have ever survived. In fact, we were told by an investment bank that we were not going to survive.

But we asked Mitt Romney, who was then head of Bain Capital and had been Vice president of Bain and Company, to come back. He really helped us negotiate with the banks and handled other issues related to the situation so that the rest of us could focus on our clients and on our people, since those were the only assets we had left. Reputation is the third asset a company like ours has, and that was shaky given the fact that the story was in the news. So the rest of us focused on clients and on our people. We worked hard too to make sure that our most important people didn't defect. Headhunters were calling every single person in the company. We also focused on our clients. Our existing clients knew what we were doing to resolve the crisis so we were okay there. It was more difficult when we went to beauty contests for prospective new clients and our competitors would leave the latest *Fortune* or *Forbes* or whatever saying what was going on at Bain. It was getting those new clients that mattered most to us. And that's what we focused on.

Internally, we had a few defections. But when I think back, there was only one major defection, in terms of the key people, that I really felt bad about. So we managed to avoid mass defections. I remember one day somebody came into my office and said, "I want to talk to you about a job offer." I was vice president, and I was a real open door, so these people felt comfortable talking to me. And I thought, in this particular case, this guy is so much better at consulting than he would be at what he was going to do, and I said that to him. He said, "Well, but I don't want to be the last one here. Everybody's talking to headhunters. Isn't that right?" I realized he was right. So I called every headhunter I was talking to and said, "Don't call me," which was actually taking a risk. I decided to stay with Bain and Company unless things fell apart. So the next time somebody came into my office and said, "Everybody's talking to headhunters," I was able to say in all honesty, "Well, I'm not. I'm absolutely committed to staying here."

Soon after, the first guy came back to me to tell me that he too had decided to stay at Bain after I told him I wasn't going anywhere. And I asked him to do something that was very counterintuitive. I asked him to go out and tell people that he had received a job offer, that he had

seriously considered taking it, that he had in fact said yes to the offer and that he had decided instead to stay with Bain. He said, “I can’t do that. You don’t do those things. You don’t want people to know.” I said, “What? You told me that everybody’s talking about leaving, or at least talking to headhunters, but nobody’s talking about the fact that they have decided to stay. I think it’s a pretty powerful story.” So he hesitated, and then he agreed to spread the word about his decision. That was the beginning of a reversal of what could have been a mass defection.

I then became chairman, but I perceive the leadership of this firm as a partnership. The partnership really is what comes first when we think about our governance. I was chosen through a selection process by all of the partners. The key criteria centered on people who are very good at what we do in our business. Throughout the history of Bain and Company, our selection of leaders centers on the people here who have the most impact with clients. We wanted a chairman who would serve as a role model in that. So in our company, people in senior positions continue to work with clients and not just to sell but also to do the real consulting work. I still have clients I work with, and it’s the only way to (a) keep me interested, (b) keep me up to date on what’s really going on with clients, with our company, with our team, etc., and (c) keep the consulting we do strong. If you take senior people away from the consulting, which they are good at, and shift them to doing only administrative work or selling or public speaking—all of which we do too of course—then their experience is not available to the clients and it’s not available as mentoring to your own team.

So I agreed to become chairman on the condition that I would be able to continue to work with clients. I think that sets us apart from other professional service firms. Today, all of our senior people, the ones who are the most highly regarded, continue to work with clients and, most importantly, they want to continue to work with clients. The clients are always changing. The problems are always changing. So it’s important to keep learning. This is a pretty exciting business because of that. And, in my case, I play an international role as well. I work with international CEOs. And I mean I really work with them, I do not just interact with them. It’s very exciting to see how CEOs think, how government and business interact in different countries, how culture affects business, etc. It’s fascinating. I love the international aspect of my work. I just wish I didn’t have to travel so much for it. I don’t like to travel, but I love what I do when I get there.

In terms of time management, I used to say that I spend 70 percent of my time with clients. That’s probably true but I probably work more than 100 percent of my time. But really you don’t break it up that way. When I’m abroad, for example, I might do client work in the morning. Then I might talk to U.S. clients in the evening or talk with my secretary about administrative issues. I meet with our people in our various offices to talk about their clients or internal issues. I might be giving a speech in Germany, for example, and then work with people from the office on the way over there. If you have a lot of energy, you can put a lot of things together. It’s not a precise science. It is not even a precise art, but it is an art. You just have to have a lot of energy and to really love what you’re doing.

Critical Success Factors

I don't tend to think about myself much. I'm very goal oriented when I go forward. But I think a big part of what consulting does has to do with psychology and learning to really listen to what people are saying both verbally and nonverbally.

Having a "True North" has also been key. It has kept us focused on strategy and results as inseparable. Strategy combined with results is very powerful. Strategy without results is meaningless, and results without strategic thinking may not be very productive or useful. So combining almost everything we do with strategic thinking and results is critical. There were times when we actually had to fight to keep that. We had a lot of discussions about it. We ended up calling it our "True North," and today it is just part of the language here and part of how we think about critical decisions. We'll say, "This is a real true-north question," when we have a really difficult decision to make. We have even "resigned" from some pretty lucrative projects when we didn't believe that results were going to happen. We do it with dignity, after a lot of discussion, but those are hard things to do.

For example, a large Fortune 50 company got into trouble. We were asked to come in and help them. We helped them turn around financially but we also saw they had to turn around strategically. This was one of our major clients. We were involved in almost every aspect of their business. Anyway, the papers were writing about what a great turnaround they were doing, and so on and so forth. The CEO was on the cover of all kinds of magazines. But strategically, we believed that they could not be involved in the four businesses they were in—that, eventually, they would not be able to sustain that business model. There was one business they clearly should have gotten out of, but it was part of the legacy of the CEO, and he didn't want to get out of it.

We did all of the analysis and all of the people in the organization agreed with us. But we couldn't convince the CEO. For six months, I had discussions with him. We had data. We had everything. And then we said, "Well, in that case, we believe that you can't thrive. You may not even survive long-term." We suggested that they might want to sell themselves to somebody at that point, and we identified who might be the best buyer for them. Instead of going that route, they continued on with the four businesses. We decided to tell the CEO what we thought, that not moving in a more forceful strategic way could cost him the company. Since he didn't budge, we said we would resign, although I asked him for permission to go to the board, which, to his credit, he let us do. One of my colleagues and I went and presented our views to the board. The board was split but eventually decided to side with him, and that was that. We resigned.

Less than a year later, they came back to us and said, "You were right, and could you please help us now." At that point, they had no option but to sell. They would not have been prepared to sell had we not pushed for that earlier. And we might not have suggested that had we not been following our true north. We really told them what we believed and even though there were lots of other things we could have continued to work with them on—for tens of millions of dollars—

we really decided that was not the right thing to do. When they came back to us, we helped them sell. The social issues had been resolved by then.

There was less money than they could have gotten the year before, but the shareholders still did pretty well. As the CEO and CFO said later on, “If it weren’t for your guys and your willingness to stick to what you believed, we probably would be bankrupt.”

If you have a true north and a set of core values that you stick to, you will end up making decisions that have short-term costs. But I believe, at the end of the day, they will have a long-term value. It’s not something you do easily. And it feels horrendous—first because you feel like you failed to convince a client to do something, which is what consulting is all about, and second because of the short-term costs. It’s a hit to the collective pocketbook and to your own. But when you have a true north like we do, it’s really what allows you to deal with internal divisions and external adversity at the end of the day, and I think we’re very lucky that we have that. I think it can create a distinctiveness from your peers or your competitors, and I think that’s invaluable.

Changes in the Industry

I think the world has come back to where it was before the e-craze. There used to be consultants who were mostly focused on IT. There are companies that are focused mostly on informational stuff. And there are companies that are focused, as a headline, on strategy. That’s where we are except that we have always focused on the operations side as well as the strategy side of a business. We believe you can’t do one without the other. And then there was a period during the e-craze when everybody tried to do everything. We didn’t and I think it has served us well. We had a lot of discussions about what to do but early on we decided that we would not have a separate e-division, for example. We decided the “e-stuff,” as I call it, was an integral part of what every company would have to learn. We decided very early that it was a tool rather than an end to itself and that guided us in dealing with clients.

I was at Davos at the World Economic Forum during the height of the e-period. I was sitting on a stage in front of a thousand people, and I said then that the e-craze wasn’t a business revolution. The Internet was a great tool but it was not a business revolution. It was not going to fundamentally change the way we conducted our business. I defined “revolution” in historical terms as when power shifts from the set of people who have it to a new set of people, and I said, “That ain’t gonna happen here. It’s actually going to be a tool that those who actually have the resources today can use to leverage those resources.” So when the whole e-bubble burst, we were positioned to just continue to work with the Internet as a tool, the way we always had, so the crash impacted us less than other consulting firms.

And now the business of consulting is back to where it was before the e-craze, with some firms doing mainly IT with a lot of outsourcing and others doing mainly strategy consulting. We still focus on strategy and results. And now we know a lot about IT because many of our clients ask us about that. But we’re not biased when it comes to IT solutions because we have no incentive to recommend one product or company over another as some other companies do. There’s a lot

of IT out there that's completely unnecessary and everybody knows that now and we've learned a lot from that as well.

In terms of the consolidation trends affecting so many industries, including consulting, that has not happened in our niche. Otherwise, you'd see McKinsey and BCG and Bain merging. We haven't. There has been a lot of consolidation among the IT and operations consulting firms but not in our niche. And I think that's because we believe that the only way to really do the work well is to remain a private partnership and not be a public company, whereas a lot of the large IT consulting companies have gone public. And I think the dynamic changes tremendously when a firm goes public. You can see the changes taking place in some of the investment firms that have gone public and you can see it with the consulting firms as well.

You can talk about Accenture, which is a public company, and you talk about Bain, which is and hopefully will always remain a private partnership. In the last year, while business slowed for many of our competitors, we've actually hired a lot of talent. This is a great time to gain market share in some parts of the world and to gain talent from companies that overstaffed during the e-boom. The results for us are already showing. We've hired into different practices that we wanted to strengthen. We've hired a lot of people in Germany, which we wanted to strengthen. We've hired in Europe, in Asia, in the United States. In consulting, it's all about talent and having the best talent.

As I said before, you have only three assets in a consulting firm. You have your clients, your people, and your reputation. And I think we're doing pretty well in all three now. In terms of our people, in almost every office we have, we have people who were first with Bain elsewhere and who have had a lot of experience in the way Bain does its work. We also hire people into Bain from Harvard Business School and from other top schools. And we hire people from other consulting firms or with expertise in areas we need but then we work hard at integrating them into our way of doing business. Integrating them is key because otherwise you can lose the firm's culture. And without the culture, you won't have people really understanding what true north is.

When I travel around the world to any one of our twenty-eight offices, I can literally walk in and start working with a vice president on an account he might have. It's seamless. And I love that. We have a very strong culture. To maintain the culture, we do a lot of training. We have a global virtual university. We have a knowledge center, for which we have won many awards. We keep repeating the same themes to reinforce the culture. We have strong networks so that everybody in the firm has access to everybody else. Words like "true north" help. It's something everybody understands. You'll hear people say, "Monday morning at 8:00, what are you going to be doing?"

Everything we do, we try to do internationally as well. And today more than 50 percent of our work is outside of the United States. Right now, we see a lot of opportunity in Europe, in Asia, and in the United States. And these are opportunities not just about a place that hasn't been penetrated but where there's also opportunity to grow market share.

Giving Back

We also do a lot of nonprofit consulting. We take the same ideas and concepts and apply them to make practical results happen into the nonprofit sector. We charge them but on a different scale. We're cognizant of what they can afford; on the other hand, we believe that if we charge them they'll take it seriously. Our people love moving from the for-profit to the nonprofit consulting. It gives people an opportunity to give back and to do different do things.

We also do pure *pro bono* work. We choose these projects as a partnership in every office. They're usually things that are meaningful to everybody in the company. In Boston, for example, we were one of the four founding companies for City Year, and we've worked with them ever since. We contribute money but we also contribute our time and expertise. In one case, we involved the entire office in rebuilding a school. We've done *pro bono* strategy consulting for City Year and that helped them expand to many different cities. We've had people who've gone to work there. We've invited some of the kids from City Year to come to our partner meetings and be part of that. So it's a good example of the kind of *pro bono* work where it's not just giving money to an institution and having one or two people feel important; it's actually being an integral part of an organization like City Year.

Our people are very proud of the work we do with City Year. They're proud when they get to spend a Saturday doing things with a school or spend evenings helping students do their homework. We also helped City Year develop a strategy to go national. That was pretty exciting. Then Clinton ran with a City Year t-shirt, and that made us all really proud. Clinton actually used City Year as an example of one of the best-organized institutions like that in the country. We think it is, too, and we think we contributed to it. Beyond City Year, we also work with the Boston public school system, and we've been involved with it now for many years. We've actually won all kinds of awards with the *pro bono* work we've done there. And our people are excited about it.

I also care a lot about Israel. I care a lot about the Middle East. And I really think it's time to have a Palestinian state and an Israeli state and that they're both secure and moving on. And so I have helped, mostly behind the scenes, on a couple of initiatives. Initiatives come my way all the time. But I try to be very practical and look for initiatives that will actually yield results.

One initiative, in particular, ended up going all the way to Congress and actually created a new way of thinking about return on investment and return on peace, with a strong economic component to it. The initiative calls for businesses to be constructed, which will create jobs for Palestinians and will bring Palestinians, Israelis, Jordanians, and others to work together in a constructive way. At the end of the day, I believe it is important to build self-sufficiency. And embedded in that is a return on peace. Otherwise, it's just money that Congress gives away. It's a pretty interesting plan and hopefully it will become public soon. We had a team from Bain and Company working on this as well, *pro bono*, obviously. It was exciting.

Summary Reflections

I love to read. I read about 100 books a year on a wide variety of subjects. I'm just interested in everything. One of my favorite books is *The Man Without Qualities*. It really is a masterpiece. It's 1,200 pages and the author committed suicide before he finished it. The story takes place in the Austro-Hungarian Empire in 1913, just before World War I. It's a novel, but if you ask me it's really about the Slav's way of thinking. I learned more from that book about bureaucracy and how it can really destroy an empire than from anything else I've read. Bureaucracy is what makes companies and governments work, but there's good bureaucracy and there's bad bureaucracy. You need some bureaucracy to make an organization move—one person cannot run a country or a company—but boy I learned what bad bureaucracy is from that book.

Another favorite book is John Keegan's *The Mask of Command*, which is brilliantly written and is I think just a fantastic book about leadership. He looked at major military leaders throughout time and examined their leadership styles. He also looked at how technology changed warfare and how it changed the way leadership was projected. For example, in World War I, technology allowed so-called "chateau generals" to be very far from the battlefield. It was a disaster for both sides. I give this publication to CEOs when I think they don't see enough of their people or aren't close enough to the front lines. And I suppose that reflects my early experiences in the Israeli military where leaders are very involved in the front line. The Israeli army's motto is, in fact, "Follow me." The officer in the Israeli army is always in the front. It's not giving directions from afar as so many armies throughout history have done. It's "follow me," which is a very important part of how the Israeli army has always operated. It's meant a higher loss of senior officers but it's also meant that the officer on the battlefield really knew what he was doing.

In terms of my own experiences as a leader, I am blessed with the fact that I don't really focus much on what I've done in the past. I think the partnership played a key role in our success, and I also played a key role in always insisting we stick to our true north. But we're a partnership so just about everything we do we do as a team. That's something we learned from what happened before our turnaround. It's great because I always feel I have peers and friends and people I can talk to about making this company successful, which is a very different experience from what other CEOs I talk to experience. So I think this is unique and I would hope it will continue to be unique that way many years from now. I'm fortunate enough now that I can choose many of the CEOs I work with, and I'm working with some fascinating people that I learn from. And I guess one of the other things that has been very important to me and as a result, I think, has remained important to the company is that everyone has to continue to work with clients, that no one should do just administrative work. That, I think, has been very important.

In terms of being a woman, I don't think about being a woman consultant, or a woman leader. I just think about being the best consultant, the best leader, the best whatever it is that I can be. And if you're good, people will see it. It will come through and people will stop focusing on the fact that you're a woman. And frankly, at this point I think it's easier for women to do that, although that's less true in some other countries I work in. But overall if you're good at what you do people very quickly stop seeing you just as a woman and focus on what you're actually saying

and doing, and I think that's the most important thing. The second thing is to do something that you really have fun doing. Don't do something because it's glamorous or because you think you're going to go places fast or whatever. If you're not going to have fun doing what you're doing, you ain't gonna get there anyway.

I think the biggest risk in the world is not taking any risks. I think pushing yourself out of your comfort zone into doing things that you may not be comfortable with is just a very important thing to do. I remember when Bill Bain first asked me to work on the steel industry project. I said, "Steel?" And then I thought, "Wait a minute, he just threw me a ball, and I'm saying the ball is too big? I can do it." I'm reading a book now about Matisse, called *The Unknown Matisse*. And you can see when there were moments when he pushed himself beyond his edge of comfort and in fact was laughed at; today those pieces are considered his greatest works. You can also see where he had a moment of true north, when he decided, "I'm either going to make more money for my family and do things that I'm not going to like or I'm going to go in another direction and follow my heart." At the end of the day, he would not have become the Matisse that we know if he hadn't done that.

I define success as being able to work on things I love doing. I think it's also about having the respect of your peers. For me, it's also working on things that are intellectually challenging, and being able to continuously learn and then apply what I learn toward results, toward things that have an impact in a very concrete and meaningful way. That said, I think failure is important too. I think everybody should have to go through a time in life when they are not successful or when they have to face some kind of adversity, because you grow from that. And if you just sail through life feeling successful all the time, you're probably not going to be truly successful. You're definitely not going to grow and I don't know how the hell you're going to compare it to any other kind of feeling.

For example, when I first joined Bain & Company, I had to go through a series of operations in my mouth. That meant that I couldn't work full-time. And I was in pain most of the time. I actually went to Bill Bain and said, "I'll understand if you want to postpone for a year," although I had not a penny to my name. And he said, "No, we hired you because we think you're good, and I'm sure we'll reap the benefit many times over." I never forgot that, by the way. But there I was and I didn't want people to know about it. I was watching my peers get more and better assignments. Meanwhile, I was working on one assignment and I really was in pain most of the time. It felt like I was not successful and in fact I wasn't doing great because I was working half-time without people knowing why. But it was a great lesson. It has stayed with me and has always pushed me to just go forward. And I never forgot what it felt like to not succeed.

Another time like that for me was at Harvard Business School. After the first three days, I thought, "I can't do this." I couldn't read all of those cases. So I went to bed and the next morning I got up and said, "I have never actually given up on anything, so I am going to continue and try to figure out how to do this." And then when that professor told me I should just fail, I refused to do that. So you have to not dwell on your successes or your failures but just keep pushing yourself to do something you've never done before. And always learn from the failures.

You always learn more from what did not go well than from what did because you dwell on it and you try to fix it whereas you take for granted when things go well; you shouldn't actually do that but one does. So I believe you should always push yourself, get out of your comfort zone. And then you might actually become pretty good at that new thing, and then you push yourself again.

Always be intellectually curious too. In my mind, one of the things that helped me is to become what I call an expert generalist. I bring into my work everything I do, all of my past consulting projects, all of my readings. I read novels. I read about physics, mathematics, history, biographies, and art. One reason I work well in Germany is that I've read a lot of German literature, German philosophers, German history, etc., even though I'm Israeli. They're great writers. Likewise, I can work in France because I've read their literature. I've read Japanese literature, Korean literature, English literature, American literature, Israeli literature, and on and on. I bring all of that somehow into my work. And I think that makes me better at what I do. It also makes life more interesting.

Finally, you have to do something you love. People are usually very good at what they love so first build the basic skills in what you love to do, and then keep pushing yourself to do what you thought you could never do. This is especially true if you want to be an entrepreneur; you have to keep getting engaged in things where you constantly learn.