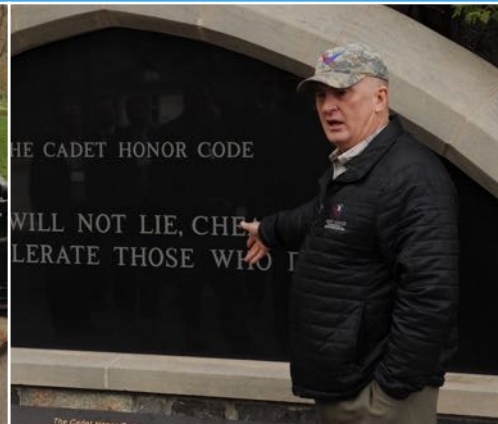


POST EVENT

Adapt or Die

*The Core Value of Character: Lessons from the
US Military Academy Cadet Development Program*



April 8, 2016

MEETING SUMMARY & RECOMMENDATIONS



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“Adapt or Die” Meeting Series

The Core Value of Character: Lessons from the US Military Academy Cadet Development Program

Friday, April 8, 2016

The Thayer Hotel at West Point
West Point, NY

Part I – Introduction

Retired US Army Lieutenant-General **Rick Lynch**, whose book, *Adapt or Die: Leadership Principles from an American General*, has inspired this Zensights meeting series, opened the luncheon event by noting the steep decline in the biopharmaceutical industry's public reputation. To reverse this trend, companies must consider how other sectors of society have addressed similar downturns in support. The US military provides a perfect example. After the Vietnam War, few Americans had much good to say about the institution. Today, the picture is entirely different: the military consistently rates in opinion surveys as the most valued and respected institution in the country.

Our theme today is what Zensights biopharma executives can learn from colleagues at the US Military Academy on establishing individual leadership character traits as a spur to superior group performance and societal respect. As a troop commander, I've often said that the most important piece of furniture in every house is the mirror – that reflection of your own soul. I believe the integrity of any organization depends on the individual character of its members, so getting that mix of virtues defined correctly is a necessary first step to establishing better *bona fides* with the public. How to accomplish that is what our West Point guests are prepared to share with us today.



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Part II – Keynoter Summaries

Lynch was followed by the luncheon's two lead speakers, US Military Academy Superintendent, Lieutenant-General **Robert Caslen**; and **Alex Gorsky**, a 1982 graduate of the Academy and currently Chairman and CEO of Johnson & Johnson Co.

Superintendent Caslen

Caslen began by noting West Point's founding mission in 1802: to produce officers for the US Army along with trained engineers, both with the assignment to facilitate expansion of the US across the continent. Today, the Academy also has a strong international connection – a good example is the Sandhurst Competition, a team-based field games challenge organized through the Academy's Modern Warfare Institute and involving cadet corps from 36 countries, which is going on here on campus right now.

Character development is at the very core of the education every cadet receives during his or her time at West Point. Individual character is the basis for leadership, underpinning the intellectual and physical requirements of military service. Our philosophy is very simple: if you fall short on character, then you fail as a leader.

Why are we so definitive on the question of character? The answer rests on the seriousness of the Academy's mandate stipulated by Congress. The oath taken by every cadet on graduation is allegiance to the US Constitution. Our task is to defend the Constitution through the profession of arms, applying lethal force when necessary to defend the American people against external threats. In using that force, the military, as a public institution, must work within carefully proscribed legal and legislative constraints. Hence in service to our country, we are obligated to follow the law, not politics.



Lieutenant-General Robert Caslen explains how character development is at the very core of the education every cadet receives during his or her time at West Point.

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In light of this grave responsibility, the Academy does not have the luxury of turning the exercise of character on and off, as it suits the moment. Our officers and soldiers must lead – all the time. As Superintendent here at West Point, I find it is more challenging to maintain this commitment due to a host of cultural and technological changes. One critical transition is the rise of social media. More young people today think they can pursue activities in their private life that are separate from the values they espouse in public. The Academy does not see any such distinction.

The gap between the values that recruits have when entering West Point and when they depart four years later is bigger than ever. The distance that has to be covered is longer and definitely more uncertain, with more gray areas present than for previous generations of cadets. It's a bell shape curve with a large standard deviation.

It is true that society has evolved toward greater tolerance, and the Academy is no exception. Today, the US Army bars intolerant or discriminatory behavior based on race, gender, ethnicity, disability, religion or sexual orientation. This expanded commitment to inclusion is good, but if you don't accompany it with corrective measures to define what is or is not acceptable behavior, then you end up with rules that are poorly understood. This can lead to the unraveling of discipline over time. For example, despite all our anti-discrimination efforts, 91 per cent of the Academy's female cadets still say they have experienced sexist behavior from their male counterparts. Social media, in particular, makes it easy to express hostility without real consequences because of the degree of distance and anonymity it provides to the offender.

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US Military Academy
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The approach we take at the Academy is to draw out and expose character deficiencies that lead to behavior inconsistent with Army rules and values. If we can't identify what those deficiencies look like in each individual, then we cannot fix the problem; when we do not fix the problem, group morale is undermined. The ultimate expression of such corrosion will be more injuries and deaths on the battlefield. I cannot be more emphatic: the stakes in maintaining the high character of our men and women are really that high.

It follows that character is one of the four elements of the formal program we have at the Academy to grow the leadership potential of our cadets. **The Cadet Development Model** starts with a requirement that a cadet be ready to learn from their experiences at the Academy – to be open and accepting of all that they encounter here as we prepare them for a career of service to the country. “I won't do it” is not part of the language. Every cadet can expect a range of development experiences that must be confronted as a challenge – and each individual will be assessed on how that challenge is handled. The intent is to help the cadet to grow, become more confident, and see themselves and others in a new way.

Next, there is an emphasis on self-reflection. This is a structured process involving the use of mentors, peer exchange and journaling, all geared to identifying and acknowledging behavioral weak points that thwart personal development and thus need to be resolved. It also makes tangible the high expectations we have for our cadets.

In return for the cadet's commitment to stretch and strive, the Academy promises to seed each cadet's path with a range of new capabilities and knowledge. These will be delivered through an excellent classroom education but also as a consequence of character-building experiences involving active interaction with other

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cadets, officers and staff as well as the guided reflection provided by mentoring and coaching.

The final ingredient is time. Each element in the Cadet Development Model requires significant investments in resources, mostly on the human side. Avoiding distractions requires the effort of everyone here at West Point. If attention to the Model is side-tracked the opportunity to build the consistency of character we want to see in every cadet, given the short 47 months they are with us, gets lost.

As I noted, character ranks as one of the four programs on which we measure the progress of every cadet. But character development is written into the other three as well. For example, the **Academic** program requires an understanding on how ethics influences decision-making. The **Military** program provides real-life opportunities for cadets to test their individual leadership skills. And the **Physical** program focuses on sportsmanship, team building and constructive competitive behavior along with requirements to meet high standards for physical and mental endurance.

The centerpiece of the **Character** program is the Professional Military Ethic Education [PMEE] instruction that commences during basic training and continues throughout the academic year. Classroom and field work focus on living in day-to-day compliance with the Cadet Honor Code as well developing the capacity for critical thinking to address the many instances where character cannot be applied just by consulting a handbook.

In fact, we strive to make cadets aware they must “own it” by taking the initiative to live according to the Honor Code and the adjacent values required in leading others. We don’t want people thinking that character development is all about checking a box. Full engagement is

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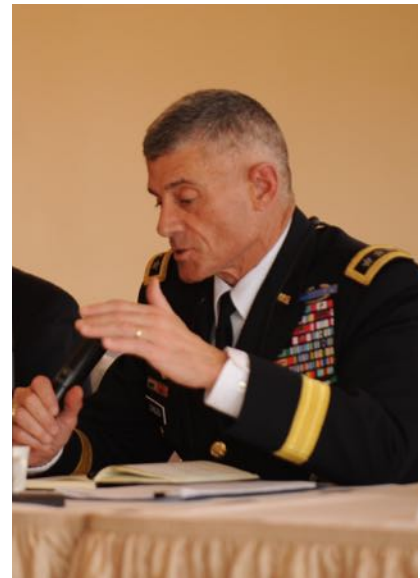
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mandatory. And it's measured. This "own it" perspective is taking on growing importance as we address emerging challenges coming from the social media space, which carry the potential to undermine group discipline and professional behavior towards others.

Finally, character issues are woven into the fabric of the **Periodic Development Review [PDR]**, a 360 degree feedback assessment designed to track progress in all four areas of cadet development and help prepare cadets for future Army leadership roles. This process is taken very seriously by the many people involved in the various multi-disciplinary surveys of an individual's strengths and weaknesses. And the PDR can have a significant impact on a graduate's future career. If the Army has to impose a reduction in force and decommission some officers, a PDR file with repeated instances of a character deficit will put that person in the front of the line to go, even if job performance overall is acceptable. That's how strongly the Academy feels about character.

Caslen responded to several questions from the group centering on how the Academy is responding to external cultural forces that tend to dilute the effectiveness of rigid disciplinary strictures. Caslen agreed that the Academy had moved toward an approach that is less prescriptive, noting that 40 years ago even a minor infraction of the cadet Honor Code would lead automatically to dismissal from the Academy. The emphasis now, he said, is engaging the cadet in a process designed to evidence his or her active desire to learn and improve from the experience. Remorse alone is not enough. There must be resilience and perseverance too. So we will work with that cadet to see that he or she comes out of the disciplinary process with a stronger commitment to our values. We do this by active mentoring; requiring the cadet to facilitate and participate in private and public



Lieutenant-General Robert Caslen explains the Periodic Development Review [PDR], a 360 degree feedback assessment designed to track progress in all four areas of cadet development and help prepare cadets for future Army leadership roles.

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reflections with peers; and accepting without equivocation the punishments that usually entail withdrawal of privileges enjoyed by other cadets. If we see a real behavior change, then the Academy need not backtrack on its initial investment in the person. It's a win. On the other hand, if the cadet denies any responsibility and shows no desire to change, then we act very quickly to separate.

Alex Gorsky

Caslen was followed by J&J's **Alex Gorsky**, in a "fireside chat" with Rick Lynch. Gorsky stressed how his experience as a cadet shaped his career in the private sector, noting that the strong service orientation at West Point led him to the health care industry, which shares with the military an ethical mission by helping people in an aging society stay healthy and live longer. Like the armed services, leaders of health care companies must meet a higher standard of public responsibility.

Character is essential to preserving industry's freedom to operate. CEOs must address questions that test their reserves of character – often under the harsh glare of unwanted publicity – every day. Why the scrutiny? It's because this industry is important. Spending on health accounts for a fifth of US GDP and thus drives economic performance. Regulators and patients expect us to deliver on the promise to innovate and increase access to drugs that raise the standard of health for all. We work in a fishbowl marked by high levels of risk, on the clinical and financial side. As a CEO, I am responsible for the ethical behavior of 140,000 J&J employees in more than 100 locations throughout the world. And I am constantly aware that our products touch more than a billion lives every day.

Taken together, these pressures suggest that my fellow CEOs and I spend less time on character development in our organizations than we should.



Alex Gorsky stressed how his experience as a cadet shaped his career in the private sector.

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Character is the foundation of J&J's most important work, our Credo. It is not well known that the Credo had its origins in the company's relationship with US armed forces during World War II. J&J's CEO at the time, Robert Wood Johnson, was given a General's commission by President Roosevelt to organize logistics against the enemy. This and other work he did on the wartime employment front prompted Johnson to write that simple Credo, which reflects Johnson's personal character and values, where customers are regarded as people with real lives and the commitment to corporate responsibility is broad and overarching – in fact, J&J was the first US multinational to acknowledge that suppliers have the right to share in our success.

When Rick Lynch asked for clarification on what makes that Credo “come alive,” Gorsky said it starts with making its presence ubiquitous. The Credo consists of commitments to four stakeholders: customers; employees; communities; and shareholders. “It's short, simple, jargon-free and easy on the eyes – and it's everywhere.” It is also direct. The most frequently used word in the Credo is the word “must” – not “should” or “plan to” – it's not corporate speak, it's real people speak. This is not a communications tactic. It actually represents the character of the man who wrote it.

The real action around the Credo starts with the people J&J hires, at that crucial front end of the funnel. Every new employee must attend a day-long small group seminar on the Credo. The discussions center on contemporary case studies, transforming a text written in the 1940's into something that carries meaning for today.

The Credo is also incorporated in the strategy/operating plans for each business unit, through activities to keep the four stakeholder commitments fresh and to identify areas for improvement. The key

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here is the individual manager ratings, which consist of three markers of behavior. The first, on performance, is a bit counter-intuitive. It requires evidence of being successful when business conditions are bad, not just when they are good. Or that strong results were achieved in Europe even though the executive's career began in China. Or your leadership potential is demonstrated with a team you inherited from someone else as well as from one that you created.

The second is recruiting and building talent. To really live the Credo, a manager at J&J must seed his or her own success further down the line. I can safely say no one at J&J can progress without empowering others; we look for the manager who has the reserves of character to advance those with capabilities or judgment superior to his own.

The third is demonstrating a transparent and inclusive value system – in other words, representing Credo behaviors. We look for a balanced approach. A manager who succeeds on the numbers by intimidating his staff, alienating peers and otherwise leaving a lot of dead bodies around is not going to obtain a good performance rating. Neither is the manager who is too tame in the expectations for those under his or her command, who just wants to be liked.

In summary, recognition will accrue to the J&J leader whose unit continues to perform above grade well after he or she has moved on. That's the best sign that manager was living the Credo, with a leadership capability that ended up raising the performance standard for the whole, rather than the few. That's good for the company overall.

In contrast, I find poor judgment, usually involving people, is the factor that most often trips up someone in a leadership position. This is ultimately an issue of character. I ask people seeking senior



Mike Edwards of Leo Pharmaceuticals asking a question during the Panelist Q&A.

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positions at J&J what the “command climate” is for the teams they lead. Can they point to instances where, in working through others, they inspired a team of individuals to do things each never expected to achieve on their own? If they can show that, it demonstrates character traits our business model requires right now. Leadership excellence today is all about adapting – working through waves of disruptive change, where the old playbooks no longer work. Some people with otherwise excellent credentials just don’t have that perspective.

Part III - Executive Panel Discussion

Ken Banta, Managing Partner of the Vanguard Group for Leadership, continued the meeting with a moderated conversation with two line management executives: **Jack Bailey**, President, US Pharmaceuticals for GlaxoSmithKline [GSK], and **Jay Galeota**, President, Emerging Businesses and Chief Strategy and Business Development Officer, Merck & Co.

Galeota noted that character is a fundamental trait, the commitment to which must be constantly refreshed and reasserted by the individual leader as he or she responds to the challenges inherent in daily life. Today’s manager is confronted with an endless series of choices and it’s largely up to you to decide just how to behave, as the circumstances arise. Experience leads me to conclude that this process is not an intellectual exercise. Great displays of individual character – like those in the sports arena, when a player acts spontaneously to sacrifice for the good of the team, are driven by a complex interplay of thought and emotions. Being smart is less important than demonstrating emotional intelligence and the ability to read the crowd.



Executive panel member
Jay Galeota, President,
Emerging Businesses and
Chief Strategy and Business
Development Officer,
Merck & Co.

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Bailey said his life experience reveals that real character always requires courage – because to act with integrity, a manager must be direct. Character traits also develop gradually. Finding mentors and role models, as well as strong, supportive family ties and friendships formed outside of work, are very important in keeping leaders grounded and focused on doing what is right for the team, not just for yourself. On a personal note, I can say that, as I get older, I realize just how rare it is to find that person of great character. The passage of time has a culling effect. Eventually the truth comes out about people entrusted with high positions in the organization. Is he or she authentic or not? A good leader has to put everything he/she has into earning that badge of authenticity. It is not easy.

Both leaders were asked on how their respective organizations build those reserves of character.

Bailey said at GSK it begins with the hiring process, to which he devotes a considerable amount of his time through extensive interviewing of candidates for various positions across the business. Because the biopharmaceutical industry is highly regulated, good judgment is critical. Bailey looks for evidence not only of accomplishments but setbacks too; it's the only way to distinguish between actions that are intentional as well as unintentional – what's right or wrong is not always obvious from the circumstances.

GSK has forged ahead with ethical behavior standards that raise the bar for the industry as a whole. These are accompanied by extensive training in compliance for all employees and an active enforcement policy. Penalties for specific violations of GSK's rules on appropriate conduct are clear and explicit, ranging from a coaching session to separation from employment. I've made an extra commitment to share learning internally about manager and colleague behaviors in



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the GSK workplace. I assumed the President position a little more than a year ago, and I recognized fairly quickly we need to be better at relating our standards to what happens in “real life.” I think that’s true of most big organizations today.

Merck has taken a similar approach, said Galeota. There is a zero tolerance policy in place for lapses in ethical judgment that results in compliance violations. The most effective antidote to this is constant feedback and education designed to eliminate situations where lapses in character and judgment – often driven by sheer ignorance or a perverse attachment to the wrong incentives – will put a manager in harms’ way. We also find that ethics and character have to be rooted in the approach we take to building the business. The mantra at Merck is that a manager, in pursuit of a goal, must not only relate to the “what” but the “how” as well. Whereas everyone tends to focus on the “what” – the objective and the intended result – the “how” is actually more important. Especially if it leads to doing something ethically dubious or illegal in order to obtain that result.

In response to a question from Banta about the challenge to maintaining high standards in a global marketplace with diverse cultural attitudes on character and ethics, Bailey and Galeota said their companies follow a universal, “geographically agnostic” policy. Formal regulations on employee behaviors do vary across countries, but the two companies observe the basic principle that the most stringent standards in force must be the worldwide benchmark for what is deemed permissible in any one country – there is no deviation; no “least common denominator.” However, both leaders indicated the view that more internal resources need to be invested in education, peer group training and other activities to underscore the seriousness of a global, no exception stance on compliance.

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– Jack Bailey

President, US Pharmaceuticals
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"We have to be 100 per cent right, all the time; 99 per cent, or most of the time, is not good enough," said Bailey.

In a separate observation, Superintendent Caslen asked why many lapses in character occur after years of exemplary behavior. Why do we have so many public instances where a leader, after decades of honorable behavior, suddenly does something foolish or wrong? I say it's the result of the "you rest, you rust" syndrome. It's why the Academy stresses to its cadets that character development is a long journey and to remain in touch with the core values you started with, you must go to the well many times. Character in the military must be upheld as a personal, lifetime commitment.

Because of this, Caslen said the most powerful means to instill character in the cadet corps is to rely on history as a constant reminder of the US Army's sacrifice to the nation. He relayed a story of a visit by an Army athletic team to the Gettysburg Civil War battlefield, tracing the steps of a young officer, Elonzo Cushing, whose valor on behalf of his fellow soldiers was recognized by President Obama, 150 years later, as halting the advance of the Confederacy at a crucial point in the war – the south was never able to reclaim its lead and the Union was preserved. This act of witnessing really moved the cadets, one of whom said to me, "Sir, I get it. I now know what the nation expects of me." That's the vital emotional content of character – and this is something that cannot be taught.

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IV-Conclusion

Rick Lynch and Zensights founder **Bob Jansen** thanked Superintendent Caslen, CEO Gorsky and panel members Jack Bailey, Jay Galeota and Ken Banta for their contributions to the discussion. Jansen announced that the next meeting in the “Adapt or Die” leadership series would be hosted by the George W. Bush Institute on October 13 in Dallas with the scheduled participation of President Bush.

A full description of the West Point System for Leader Development and the Cadet Development Model was provided to Zensights by Superintendent Caslen and can be found as an attachment to this report.

Meeting notes by W. Looney



Bob Jansen, Founder of Zensights, sponsor of the Adapt or Die Meeting Series.



Zensights thanks all those who participated in the 2016 “The Core Value of Character” meeting at West Point.