

# Prioritize people in times of crisis: An interview with the CEO of BHP

**Mike Henry explains the importance of social value in decision making and why relationships lie at the heart of business resilience.**

**Mike Henry's induction** into the role of CEO at BHP has been a baptism by fire. When he took on the top leadership position of the world's largest diversified-resources company, in early 2020, the Canadian transplant in Melbourne found himself almost immediately facing the impacts of one of Australia's most catastrophic bushfires on record. And then COVID-19 hit. "It has certainly been a different start than what I was anticipating," he said.

While he has managed to keep operations running and his workforce of 72,000 safe and healthy, Henry said that BHP's resilience during the pandemic is built on a foundation of strong relationships fostered over the years: "This includes employees, but also communities, business partners, and traditional owner groups, who have come together to keep the business running." It's also by prioritizing the cultivation of win-win relationships that Henry believes BHP will thrive in an ascendant "Asian century." China, Japan, South Korea, and India represent BHP's key markets in the continent, and Asia as a whole accounts for more than 80 percent of the company's sales.

In June, Henry spoke with McKinsey's Stephan Görner to reflect on his first six months leading BHP through crises, sharing how social value and strong relationships have helped bolster the company's resilience. He also provides his views on what it will take for businesses to be successful in Asia, where he sees free trade as a continuing driver for economic progress and opportunity.

**The Quarterly:** *As you reflect on your first six months as CEO, what are some of your biggest insights?*

**Mike Henry:** Six months is still short, and I'm sure there are going to be a ton of insights yet to come, particularly because we're still in the midst of this crisis. While COVID-19 has been a crisis unlike any, it's not specific to BHP. And, in some respects, that creates greater freedom to lead, because you're not under intense scrutiny. On the other hand, it's been very pervasive. COVID-19 has touched every single person, every part of BHP, and every part of our supply chain, creating a high degree of uncertainty.

Four things have stood out. First is the importance of prioritizing people. Against the backdrop of COVID-19, there's a premium on getting out, demonstrating empathy, and engaging with people to understand what their concerns are. Second would be the importance of creating clarity on what matters most. From a leadership perspective, giving some sense of certainty and hope is important to navigate this crisis. Third is the need to be responsive and fluid to the dynamics of an evolving crisis. Ultimately, you can't lead from the center, because the crisis has impacted every part of the company differently depending on region or group. And the final one is the importance of gaining perspective. Early on in a crisis, it can be easy to get tunnel vision and to focus on managing what's in front of your nose. But the earlier that you can find a means of stepping back and seeing the bigger picture, and pushing out the time horizon of that perspective, the better. That will allow you to sense what's coming and get ready for what's around the corner.

**The Quarterly:** *How has becoming CEO during a time of crisis—whether it's bushfires or global pandemics—informed your leadership style?*

**Mike Henry:** One thing I've paid a lot of attention to is context-specific leadership, or recognizing that the leadership for one set of circumstances may not be the most effective for another. Again, perspective is critical. When I talk about getting perspective, it means getting out and engaging with people—both employees and external parties—and hearing what other companies are seeing, as well as the concerns they have. With this perspective, we can make better decisions to steer through the crisis in a more confident and deliberate fashion.

I've also realized that I can't be the chief problem solver for BHP. This [COVID-19] problem is so big, so complex, and so dynamic that it requires everybody to be engaged. My role is not so much to solve specific problems but to provide context, perspective, and clarity on what matters—while getting support in place and then getting out of the way. Through doing that, I can give people what they need to make decisions in the field at any given moment. Thankfully, we've got highly capable people and a good culture. They've made good decisions that have allowed us to steer a steady ship through what have been some choppy waters.

**The Quarterly:** *Have these physical shocks affected the way you approach the resilience of your supply chains?*

**Mike Henry:** We were well-positioned coming into this, because some great people in our procurement and supply teams are always assessing it, including the suppliers to our suppliers. We also have been studying our critical pinch points—where we might want to have a little more stock, for instance.

I want to call out our suppliers who have pulled out all the stops to ensure that they could continue to supply to BHP, even when they were in the depths of their own COVID-19 crises. This is a testament to the strong relationships we have in place, and our focus on social value. One of the things that we did right at the start of the COVID-19 crisis was to support our small, local, and indigenous suppliers by reducing payment terms from 30 days or more down to seven days. We knew that they would be hurting because of the pandemic, and we could play a role in supporting them. People remember things like that. When they've seen that we're there for them in their time of need, they'll be there for us in our time of need. And that's what we've seen. They've invested greater effort to ensure that they can continue to support BHP and keep the commitments they've made to us.

**The Quarterly:** *Do you think businesses should play a more active role in solving social problems?*

**Mike Henry:** This is important to us, and also to our stakeholders, including investors. What people used to view as “social license” has evolved into “social value.” That's analogous to the journey that companies and society have been on in terms of safety. Safety and operational performance were once seen as opposing forces; if you prioritized one, you had to sacrifice the other. Now, people have, well and truly, moved on from that, and everyone understands that these are two sides of the same coin. You can't have great operational and financial performance without having good safety.

We see the same thing with social value. First and foremost, social value is a way of being and a way of running the business. Of course, we have specific initiatives around social value, but it is also embedded in all of the decisions that we make and in the day-to-day way that leaders in BHP lead. There isn't some unit that handles all social-value activities; this is a line accountability, supported by functional experts. From mine plans to safety decisions to procurement, we're thinking about how our employees, communities, business partners, and so on are benefitting. Through doing that, we can lift what is already a substantial contribution to our stakeholders further without eroding short-term financial or operational performance. And over time, you build greater value and greater returns for shareholders.

An increasing number of our shareholders understand this; in fact, if we weren't focused on social value today, we'd have a pretty rough ride with them. They understand that BHP is making investments over decades and that it is critical that we're seen to be creating value for a broad group of stakeholders: employees, communities, business partners, host governments, and so on.

**The Quarterly:** *Can you give some examples where social value has driven decision making?*

**Mike Henry:** We've been investing for quite some time now in securing the ability to move to fully desalinated water in Chile. When we first embarked on that, it wasn't clear that this was going to become an absolute necessity, and, to be honest, I'm not quite sure what the external views were of that move. It took a degree of foresight, and definitely involved dollars and investment. But now, standing where we are today, the decision looks prescient.

Each part of the business has its own social-value plan, and there will be a degree to which they prioritize some of their activities for their local circumstances. Then they will have a regional plan around social value, and then we have group-level priorities around social value. The way we define these priorities is by assessing two dimensions: first is the degree of relevance to the business, and second is our ability to have impact. This steers us in the direction of defining which issues we want to show leadership on.

Take indigenous affairs as an example. There's clearly a high relevance to the business; there's a codependency between ourselves and traditional owner groups. We rely on each other to create prosperity for both parties, and we also know we can have an impact in that space through the way that we engage—the agreements we form together and the opportunities that are generated for indigenous empowerment.

**The Quarterly:** *What about climate change?*

**Mike Henry:** I'll use this opportunity to build a bit of anticipation. Later this year, we'll announce a commitment to the market with an updated 2030 science-based target for Scope 1 and Scope 2 emissions that align with the Paris Agreement. We've also said that we'll come out with some tangible actions and goals on Scope 3 emissions, and we'll have an updated scenario in a Paris Agreement-aligned sub-two-degree world. There will be greater clarity on how BHP will be incentivized to focus on climate change through the way our scorecards get constructed. In addition to this being a relevant issue from a values perspective, it's also going to hit the bottom line of everybody at BHP in a bigger way than it has in the past.

**The Quarterly:** *Asia is BHP's biggest market—is it safe to assume that you believe that we're currently living in the "Asian century"?*

**Mike Henry:** Asia's got roughly half the world's population and half the world's GDP. My view is that it'll be both the world's factory and the world's marketplace for a long time, but we have to be a bit careful. Asia isn't a single homogeneous entity. It has lots of nations at different points of economic development, with their own unique political, economic, and cultural contexts. What we'll see play out is that, even as some economies shift toward being more consumer-led and being a bigger marketplace, you'll find other Asian countries come up the economic-development curve on the slipstream and take their place as the world's factory.

**The Quarterly:** *Do you worry about growing nationalism in Asia? How do you see the idea of free trade evolving?*

**Mike Henry:** We truly believe that free trade is important for the world—it's a good thing, and not only for BHP. It enables the most efficient allocation of resources and will help grow the pot. Access to free trade has allowed developing economies to develop more quickly, to improve living standards, and to lift people out of poverty. With free trade, you've had stronger national economies and greater economic codependency, and that combination of individual economic empowerment coupled with greater economic codependency between nations is a stabilizing force, for the region and the world. We've seen many Asian economies reap the dividends associated with free trade: Japan, South Korea, Taiwan, Singapore, Hong Kong, and, more recently, China. They've shown that the model works, and I think you'll find that many countries in Asia will continue to promote free trade. That can be through regional trading agreements, and so on.

**The Quarterly:** *How can multinational companies such as BHP participate more in the increased intra-Asia trade flows?*

**Mike Henry:** One of the things I love about this industry is that it's always been both local, that is, where we produce things, and global, that is, the markets that we sell into. In the 30 years I've been in the industry, the composition of markets has shifted over time, and it's always exciting. BHP has been around for over a century now and we've seen competitors come and go. What's important from a business perspective at one point in time may change over a decade or two as the economy in question evolves. I've got no doubt that this will continue into the future and that competition helps make us a better business. I've lived and worked in different countries in Asia; each one has its own context. Things are dynamic in Asia and continuing to evolve.

There are many CEOs who are way more schooled than me in doing business in Asia and who have a good sense for what's needed, but I think at its heart, doing business in Asia will require some of the same things that are important when doing business elsewhere. A focus on people and relationships is important no matter where you go. You have to try to understand the perspective of others, including the counterparties you're dealing with. One of the things that has allowed us to be around for this long is because of the effort that we invest in getting out there—creating relationships, gaining both a near- and a long-term perspective, and then bringing that perspective back into our decisions for how we construct the portfolio, the markets that we sell into, and the partnerships that we create.

Putting the effort into seeing BHP through the eyes of others makes us a better business. We seek to understand the particular needs, aspirations, and concerns of our Asian customers, and then we think about how we can marry up the decisions that we take as a business. This creates more win-win relationships. It's what's made us successful and what will keep us successful well into the future. Q

**Mike Henry** is the CEO of BHP. This interview was conducted by **Stephan Görner**, a senior partner in McKinsey's Sydney office.