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# Leading in the 21st century: An interview with Larry Fink

**Larry Fink**

Chairman and CEO,  
BlackRock

**“I’m still a student” is one way that Larry Fink, chairman and chief executive of BlackRock, describes his approach to personal leadership.** Indeed, Fink has proven himself a quick study of the ever-growing complexity of the global economy and the interrelation of government and business in an era of accelerating globalization.

In the years since Fink cofounded BlackRock in 1988, he has built one of the world’s most powerful asset-management firms, with \$3.5 trillion under management. BlackRock’s 10,000 professionals in 27 countries manage investments for clients that include corporations, governments, pension funds, sovereign-wealth funds, unions, individuals, and other investors, making him one of the world’s most powerful voices on behalf of savers. His firm’s financial clout and risk-management innovations have made it an important player in the efforts to resolve both the 2008 global credit shock and the ongoing challenge of solving the crisis facing the European Union’s single currency.

In an August 2012 interview with McKinsey Publishing’s Bill Javetski at BlackRock’s New York headquarters, Fink described the organizational and personal leadership challenges posed by today’s low-interest-rate environment, globalization, and the trust deficit facing the financial-services sector. This edited text interview is an extended version of the video interview available on [mckinsey.com](http://mckinsey.com).

**McKinsey:** *If you look back five or ten years, what developments have posed the most important new challenges to leaders of global organizations?*

**Larry Fink:** I think probably the most dominant change that we are facing is the growing impact of politics on business. This is an ongoing challenge that has never been greater. We’re witnessing now in China, and in Europe and the United States, is this tug-of-war between a business sector that is looking for a strong message, strong leadership, and a little more consistency from government and what government can realistically provide. The cycle of politicians is just too short. The insecurity around politicians toward their own careers has had a severe impact. Government is not acting swiftly enough.

Only when government is backed against the wall do we see action. And it's that atmosphere and the binary outcomes that have created an environment in which executives who are running large, interconnected companies are frightened of planning out too far. We see the symptoms of that fear in the increased cash holdings.

Globally, corporations are seeing massive sums of cash—we're talking trillions of dollars. They're not hiring, not building as many factories today. They're not willing to take that risk because the uncertainty around the situation in Europe, the United States, and even China has truncated the decision-making process and in many cases has created an atmosphere in which making no decision is probably the right path.

And so we're seeing a slowdown globally right now, which is a symptom of all this uncertainty and fear. And yet the fundamentals of most internationally based companies are really quite strong. You know, I have to remind politicians that there is a reason why equity markets are generally doing better than the tone of the economy would have us believe.

Equity markets are doing better than the job market. And equity markets are doing better than how the everyday man feels.

**McKinsey:** *What's the effect of that?*

**Larry Fink:** I think we have a very vicious circle. And that vicious circle is causing us to freeze. In America we have another short-term issue that is really becoming more and more apparent, and that is the life cycle of a CEO. Research shows that an average CEO in America has a term of something like five years.

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## Larry Fink



### Vital statistics

Born in Van Nuys, California  
Married, with 3 children

### Education

- Graduated with a BA in political science in 1974 from the University of California, Los Angeles
- Earned an MBA with a concentration in real estate in 1976 from UCLA

### Career highlights

#### BlackRock

- (1988–present)
- CEO of BlackRock since he cofounded the firm
  - Serves as chairman and leads global executive committee

#### First Boston Corporation

(1976–1988)  
Served as a member of management committee and as managing director; became one of Wall Street's first traders in mortgage-backed securities

### Fast facts

Named "CEO of the decade" by *Financial News* in 2011  
Named one of the world's best CEOs by *Barron's* each year since 2005

Member of the board of trustees, New York University

Member of the board of trustees, Museum of Modern Art

I have to remind government officials in this country that that's shorter than a US senator's term. So when someone becomes the executive he has worked tens of years to become, proven to his colleagues, to his clients, to his board, to his shareholders that he deserves that job, he is then reminded that he has this very short window to make sure he can preserve that job.

We're just not building the confidence necessary to really generate an above-trend-line economy. It doesn't matter if you're a Democrat or a Republican or an independent. In the next ten years, with what we're seeing in Europe, what we're also seeing in Japan, we are going to have to see a reduction in governmental spending. We're all sitting with large deficits. It's having an impact right now on Europe. It will have a heavy impact on Japan in the future.

**McKinsey:** *How should government and business interact on the gridlock you describe?*

**Larry Fink:** However we end up handling our deficits, whether it is entirely through spending cuts or a combination of spending cuts, entitlement changes, and taxes, which in my view is the best option, it's going to have to be across the board. And so with a fundamental reduction in jobs from the federal sector, the partnership between government and business is going to be imperative. It's going to be imperative to work together to build a stronger, more vibrant future.

We need to have an organized, thoughtful process. It will require large governmental actions that will satisfy the markets, because ultimately we're going to have to satisfy the markets.

And so we have to have a much more active role, a more consistent relationship with Washington and other capitals. I believe there's a need for much greater action by firms today.

**McKinsey:** *What does leadership look like today in financial services, where trust has been so badly damaged?*

**Larry Fink:** It may not be shocking to this audience, but the financial-services industry is considered worse than the US Congress. That's pretty hard to do. You have to work at it. And I guess the industry has. My point is: you have this great backlash that's pretty global against financial-services companies. You have a huge amount of new regulation and uncertainty around regulation.

There is a need for a responsible voice. There's a need for a voice for savers. There's a need to speak up—to speak up to a politician, speak up to a regulator—but not to speak *at* them, but to speak *with* them. And so I believe our job is to be a better solutions provider to our clients, a better solutions provider to governments, a better solutions provider to regulators, and most important not to talk at them.

**McKinsey:** *What is the skill set needed to rebuild trust in the sector?*

**Larry Fink:** The skill set each firm needs—not just one individual needs—is consistency of message surrounded by a very strong, deep culture. I think culture in this day and age, with this quick news cycle, is even more important than ever before. And obviously culture and

the principles surrounding a culture start with leadership. It starts with the daily messaging or the quarterly messaging, but more importantly it starts in the way you conduct your business as an executive or as the executive team.

As you travel through the world and visit your offices and communicate with your employees, it's having a consistent message. It is having a purpose, trying to make sure your purpose is to help your clients solve these difficult issues. Unquestionably, this low-interest-rate environment that we've been living in over the last four years has been getting more difficult. Savers worldwide are getting harmed every day. Our clients are asking for help more than ever before. This is a sovereign-wealth fund. This is an insurance company. This is an individual saver in Cincinnati. They're asking us the same questions all the time. "What do I do with my money?" But they are not going to come to a firm they don't trust. They're not going to go to a firm whose messaging doesn't connect with them. At BlackRock, we've gone through some very large mergers, and we've seen the implications for culture building and team building. As we near the third anniversary of our last major merger, we are winning more and more of our clients' minds, in terms of helping them understand the issues. And it comes down to this consistency around our messaging.

**McKinsey:** *What is the most important challenge that globalization poses to you?*

**Larry Fink:** I think BlackRock has a unique opportunity to become a true leader in the global capital markets. I think as regulators force banks to have more capital, in many cases it may change the nature of how we think about banks. It's going to be actually more expensive to do business with banks as a result of having more capital.

Banks are going to have to charge more for their business. That will lead more and more business toward the capital markets. Obviously, we need regulation and need to make sure that these markets are efficient, that they're fair, that they're transparent. So that's all good for us as a large investor. But I do believe we have a unique opportunity to be one of the drivers and large investors for the global capital markets. So it's imperative for BlackRock to continue to build out our platforms worldwide in South America and Asia and to keep building in the United States and Europe. It means we have to have a much greater global mind-set. It also means—and this is very difficult—that to truly be global, we have to be local in every country.

**McKinsey:** *What does that particular local challenge look like to you?*

**Larry Fink:** We believe that people in the local community want to talk to BlackRock because of our global footprint, our global platform. But we need to be vigilant in assuring that the connection with our client in Taiwan, in Santiago, is no different than our clients in New York or London.

We need to make sure that citizens of BlackRock in various parts of the world think of BlackRock in the same way. And I'm not here to suggest we're doing it perfectly. This is the biggest fundamental issue we all struggle with as a global company: making sure we're delivering in a consistent way in terms of the client's views of BlackRock. And we're not talking about a product that's in a box, or something that's the same thing everywhere just with different language on it in different parts of the world. We are delivering people, who in

turn deliver information or try to deliver products that meet the needs of our clients locally. This is much more difficult to execute. So for us, it's a lot about global job training. It's about global job-information sharing.

**McKinsey:** *What's your personal approach to leadership?*

**Larry Fink:** One thing I try to tell BlackRock citizens worldwide—and I gave a speech to our new incoming class of 230 young hires just yesterday—I said to them, “Here I am, running this company not quite 25 years. And I still spend an hour a day studying the world and the markets.” And if it's not an hour, it's an hour and a half a day.

I'm still a student. I am still learning today as much as I was learning 36 years ago when I started in this business. So our job globally is about investing. And it's about transfer of information to our clients. Our job is to provide risk-management services to clients. So that means you have to be current. You have to be up to speed. You have to be responsive.

So whether you're in HR, legal, operations, or technology, if you don't understand the world and the markets, you're not connecting with the firm. So it is imperative that all of us worldwide take the time to be that student. That's the most important lesson I've learned by watching other firms. They actually forget that their job has to evolve and change all the time, and that what worked in the past may not work in the future. In my view, if you don't believe you're learning, if you're not a student, you're probably going backward. To be vibrant, to be helpful, to be innovative to your clients, you have to be aware of the political and economic forces worldwide, how that translates into an investment strategy, and how that translates into a risk-management strategy.

It is really important to evolve with the world. And if you don't, you're going to fail. As you watch how so many companies have failed, they may have been very good with one product for one moment. But they didn't monitor the evolution of that product or the evolution of that information and thus did not adapt fast enough and became irrelevant—or else their product became irrelevant.

To me as a leader, that is one of the most important messages to everyone. If you think you're not a student today, and you're not out there learning, then you're not going to know how to govern this country. And my message to employees is similar.

**McKinsey:** *You've said that passion is the great differentiator between good performance and great performance, between good leadership and great leadership. Can you elaborate?*

**Larry Fink:** Passion obviously is an individual characteristic. It can be manifested in so many different ways. I'm pretty vociferous. I try to bring people in to be more engaged. I try to force people to ask questions. How each individual exhibits passion can be quite different, but most important, passion is about doing the right thing. It sounds kind of corny, but it's making sure you live up to your expectations and live up to your promises.

It's easy to say "I promise you I'll do this." Most people have a hard time executing promises. I meet a lot of young people, and they tell me what they want to do. These people who come out of the universities with really incredible backgrounds, highly educated, great schools, great pedigrees, talk about their passions. They talk about their dreams. And I try to tell them, "You know, there are many more dreams out there than there are success stories." The ratio of dreams to success stories is very, very skewed. And the reason is that success is about consistency and living up to the dream by being comprehensive in how you execute.

**McKinsey:** *How does your passion fit into your vision for BlackRock?*

**Larry Fink:** As I said, we have this great opportunity to be one of those unique institutions, one of the global leaders in the business. And I don't even think we're close to where we could get. So obviously I still have a very large ambition to really make this into an even more robust organization. You do it by exhibiting a passion to provide that solution to your clients, to do the best you can, to not be frightened to be wrong. You're going to be wrong sometimes. Obviously, you need to be wrong much less often than being right.

So what I tell my team every day—it's what drives me the most—I'm still very neurotic. I'm still quite unaffected by our scale. I mean, I'm proud of what we've done. I don't want to suggest I'm not. But most importantly, I just see a huge horizon with huge opportunities. □