

# A happy warrior: Mellody Hobson on mentorship, diversity, and feedback

The co-CEO of Ariel Investments shares honest thoughts about pushing for diversity in corporate America and reflects on her path to success.



As part of Black History Month, James Manyika had an open, candid conversation with Mellody Hobson and an audience of McKinsey colleagues in the San Francisco office. This interview was recorded before the start of the COVID-19 pandemic in the United States and the killing of George Floyd.

This conversation between Mellody Hobson, co-CEO and president of Ariel Investments, and James Manyika, co-chair and director of the McKinsey Global Institute, was recorded in-house on February 21, 2020.

### *Audio transcript*

**James Manyika:** First of all, thank you all for coming. It's a busy week. It's a short week, really trying to cram everything in. But we thought as part of our celebration of Black History Month, we'd all try to get together. I've never believed it when people say some people need no introduction. I think when people have done some pioneering things, we should actually introduce them and celebrate what they've done. And after all, it's Black History Month, so we're pioneering people, doing amazing things, and we should celebrate them. I'm delighted to welcome my friend Mellody Hobson, and it's been a story of inspiration and leadership. All the way from the South Side of Chicago, ending up in Princeton, and lots of universities offered you positions, by the way. There's a story there, and we'll come back to that. Then, while you were at Princeton, I think you interned at Ariel. She went to Ariel Investments as a summer intern and ended up as the co-CEO. That's a remarkable journey in itself. We'll come back to some of that.

But if you look at where Mellody is today, gosh, pick any topic, any arena you want. She's on the board of JPMorgan Chase. She's the vice chair of Starbucks. She was chairwoman of DreamWorks Animation. Picking a different arena, she's on the board of the Rockefeller Foundation. She's a philanthropist herself. She started community organizations and she's been celebrated. In 2016, she was elected to the American Academy of Arts and Sciences. You can almost pick any arena you want in American

business, society, and community, and I think you'll probably find Mellody involved, playing some important pioneering role there.

One of the things about Mellody is that when you go around the world, as many of us do, I'm always amazed how everybody from CEOs, business leaders—and, often enough, people who are counseled by Mellody or talk to and spend time with her—how they speak remarkably about what she's doing and how inspirational she is as a business leader, as an investor. But you also get the kind of inspiration that she provides to women in business, the pioneering things that she's done, and then to people like us, people of color. It's just a remarkable story. That's why it just gives me such enormous pleasure to welcome her. Please help me in welcoming Mellody Hobson.

**Mellody Hobson:** Thank you so much. I am so happy to be here. It was an easy thing to do. I just landed from Chicago and I live part time in San Francisco.

**James Manyika:** Well, Mellody and I were just catching up before we started. This was describing what she's been up to the last week. I still thought [this would be] a fun place to start, to give us a sense of your last week and what you've been up to.

**Mellody Hobson:** Well, it's been a crazy week because I left San Francisco last Thursday to fly to Chicago, because it was all-star weekend in Chicago and Ariel is based in Chicago. All-star weekend was one of those situations where you could kill a lot of birds with one stone. I started off on Thursday, I landed, and I did something with the WNBA [Women's National Basketball Association]. I did a panel with them with the head of Deloitte and one of their local newsmen interviewing us about all sorts of issues, but it was really focused on women because of the WNBA and what they're trying to do there.

They just signed their CBA [collective bargaining agreement]. There was a lot of conversation about pay equality and things like that, which was fascinating. Then the next day I woke up and

did something for the NBA [National Basketball Association], which was pretty fascinating because there was everyone on my panel, from Adam Silver to the owner of the Celtics, and Bill Murray was the emcee. It was all really, really, really weird. He introduced me as Mellody, and he said she has two Ls and she's co-chief executive officer, which has two Fs. It was just really, like, that's how he was introducing me. But I went from that to hosting a dinner that night at my apartment for people who were in town, and it was a very funny group of people all coming together. My husband had a funny line because one of my friends is Dana Owens, who is also known as Queen Latifah. Someone came in and they're, like, "I didn't know there was going to be royalty!" It was just super funny.

From there, we did an event. I chair an organization called After School Matters. The next day we were very, very lucky to be selected by Gucci, which did a pop-up store, and received a grant along with one other organization. After School Matters is the largest after-school program in the world. We serve about 26,000 kids a year in Chicago. There are 100,000 high-school students in Chicago that are in public schools, and we serve 25,000 of them. We're the largest employer of teens in Chicago in the summer. Last year, we employed 13,500 teens, and we pay our teens to come to our programs after school. We have 1,000 programs around the City of Chicago. To get Gucci's endorsement, the global CEO was there, as well as the USA CEO. Of course, I felt like I had to buy stuff. I said, "I have to go to Gucci to go shopping for After School Matters, to

get them excited." I was, like, "I think I already paid the mortgage at one of the stores. But, I said, why don't I just make sure you feel excited about doing this with us."

Then from there it was Presidents' Day, but we still work that day. I was interviewing because I'm replacing my chief of staff, who is being promoted to move to the West Coast to do sales for us. I was interviewing these rock-star people to be, potentially, chief of staff for me.

Then the rest of the week inside of Ariel was heavy-, heavy-, heavy-duty client meetings, team meetings, portfolio reviews, all sorts of things, late nights, long days. I mean, I average probably about five hours of sleep a night every night. My husband gave me the speech at the end. Some of you may know—this is a long answer—that I married Yoda's dad [George Lucas, creator of Star Wars]. My husband said to me, "Mellody, I have no idea why you do what you do. I have no idea." Because I wake up at four, like all these crazy things, and he was, like, "This is what my sense is. I have no doubt that you're going to get to the top of that mountain that you're climbing. But my only concern for you is that when you get to the top, it's going to be superfoggy. You're going to look out and say, 'I can't see anything.'" I was, like, "Are those words of encouragement?"

**James Manyika:** Remember last time we had lunch in San Francisco? We're having lunch in San Francisco at a restaurant down the street, and I didn't realize he was waiting outside in the car.

**“After School Matters is the largest after-school program in the world. We’re the largest employer of teens in Chicago in the summer.”**

**Melody Hobson:** Is that a good husband or what? Because we had shopped, we really did, and he waited in the car.

**James Manyika:** Exactly. That's wonderful. Your story is so inspiring. But as you look back, you've now spent 20 years at Ariel. What have been some of the most formative experiences for you, that you'd point at and you'd look back and say, "That was important. That was pivotal. I learned a lot from that." How do you—what would be the most formative experience?

**Melody Hobson:** I'll give you a couple because they're odd, but they really did make a difference. The first was when I was an intern at Ariel. I'm a summer intern. I'm between my sophomore and junior year in college. John Rogers, the founder of our firm, had started the firm when he was 25 years old. His father gave him stocks every birthday and every Christmas instead of toys, starting when he was 12. Then, he started this company when he was 25. No, this isn't like what you all think about Silicon Valley today, with all these 25-year-old unicorn leaders. This was a big deal to be 25 and black and start an investment firm. We were the first minority-owned investment firm ever started. John had gone to Princeton. I meet him as I'm interviewing to go to Princeton. I literally try to stay in touch with them. I'm, in my words, hustling, I need to know people, I've got to figure out how I'm going to learn my way around business and get a job one day. I came from a difficult circumstance: youngest of six kids, single mom, evicted a lot, phone disconnected, cars repossessed, you name it, government cheese, the whole thing.

I meet John and I realize I could learn a lot from him. My sophomore year, I asked him if I could be a summer intern. He says yes. I work at the firm that summer. I would go in on Saturday mornings, sort the mail, and put it on his chair. One morning, at, like, nine in the morning, he walks in. I'm sitting in the foyer of the office, the reception area, sorting all this mail in piles based upon the person's name. He walks in and says, "What are you doing?" I said, "I'm sorting the mail." He said, "Who told you to do that?"

I said, "No one, I just know you like information fast. I just thought I don't have anything to do. I'll just come here and sort the mail." And he said, "Have you been doing this since you started?" I said yes.

He sat down on the floor with me, and he started sorting the mail with me. Every Saturday after that, he came and sorted the mail with me. Then I get a job working at Ariel. I know that every Saturday morning, he goes to McDonald's to read. He goes to this McDonald's on Wabash, in Chicago, under the train station. I just show up, like bad stalker feeling, I know, but it was in a good way. I show up and I first look at everything he reads. The next week, I get all the same newspapers, magazines, and everything, and I don't talk. My whole thought is that if he wants to talk to me, he'll talk. I just wait for him to talk. But otherwise I just sit there. Sometimes he looks up and he'll say something. Week after week, month after month, he started to say more and more. He'll say, like, why don't you look into this, or give me scraps out of his pocket and ask me to follow up on things.

The reason I told those formative stories was because I saw I could learn from him. I attached myself to him. I didn't ask him to do anything. I just made myself available in a way that really served me well. So now I'm 25 years old. John is taking me around the country to meet with people that he thinks I should know. He calls the CEO of Vanguard, whose name is Jack Bogle, who's on the board of Princeton with them and who founded the Vanguard Group. John said, "I've got this young woman who went to Princeton, and I really want her to meet you." Jack is like, "Yeah... great." He's not excited about it. John said, "I really want her to meet you, you're an industry legend." Jack said, "I'm taking a train from New York to Philadelphia on this day, at this time, you can come and ride the train with me."

John and I flew to New York, landed at the airport, went to Penn Station, got on the train with him in the food car. We rode the train with him from New York to Philadelphia. On that train, John said this was important to me because Melody is going to be president of Ariel when she's 30. I was, like, "What?"

He said, I told my board, but they said that she has to wait until she's 30." I'm, like, pissed off about that, right? He says, "I need to get her as trained as possible before then. You are a legend. I want to spend these two hours for her to learn from you. But she will engage and ask you questions. We got to Philadelphia, I got off the train with John and we flew back to Chicago. That was Jack making us available to him. It was just a really interesting sort of set of experiences that led to the road that really formed my point of view about going out and getting it, not ever waiting for it to come to you and really not asking, if that makes any sense.

**James Manyika:** I'll just build on that. Has that affected how you think about younger people or when you see young, smart people—how has that affected how you lead?

**Melody Hobson:** First of all, my chief of staff is a woman named Taylor Goodridge, and she's a superstar. She's smart, brilliant. She was at GE Capital, she went to Smith and has so much presence. I told our board I'm pouring my heart into Taylor because Taylor could run Ariel. I hand her the ball, and I give it to her. It's her responsibility to take it and run.

A perfect example of that is one day I got this call from Wynton Marsalis, at Jazz at Lincoln Center. He said, "Melody, we'd really like you to go on the board." I said, "I cannot do that but I'm going to give you a crazy idea. Take my 28-year-old chief of staff." Now this board is like, heavy breathers. All these guys are on the board. I said that she can handle it. She will be a giant breath of fresh air for you. I will stand behind her in every request that you have financially. That's what I feel like is the kind of thing that John did for me. It's not about paying it forward, because that is to Ariel's benefit, and to my own personal benefit, but most of all, it will continue to escalate Taylor's presence in the world, which I think is very important for her.

**James Manyika:** Do you continue even now? Do you continue to find that there are people who are mentors for you, or sponsors for you, who would still do those things for you?

**Melody Hobson:** There are so many. The example that I've given often is Bill Bradley, who was someone that I met when I was 17 years old. Bill Bradley has been—there are five people probably that have changed my life. John Rogers is one. Let's put our parents out of the picture. My mother, she birthed me; OK, that's a big deal. But John fundamentally helped me to be the person that I am. I cannot ever say enough good things about him, ever. I told him recently, I said, the one thing that I did not understand. I worked for 28 years for someone who was fundamentally good and kind. He pushed me superhard. He's the hardest customer I have. He's relentless, competitive, and he can be a pain in the ass. However, he's always been kind, fair, ethical, and good. I took that for granted. The cold, cruel world is not like that every day. I have great gratitude for that, and he obviously gave me tremendous opportunities, but I ran with them. It was not a one-way street.

John gives me tough medicine and Bill Bradley gave it to me in different ways. I give this story that I met him when I was 17. I was trying to decide if I was going to Princeton or Harvard. I got invited to this breakfast. There were no 17 year olds in this room. It was basically five or ten business guys from Chicago that I called the heavy breathers. And Bill Bradley took to me. Year after year after year, I formed a relationship with him again, where I would just call and show up. I go and sit with him at Allen & Company.

One day I'm having lunch with him. He looks at me and—I've told this story many times—he said, "Melody, you could suck the life out of a room. You could be a ball hog. Don't be a ball hog." And I remember sitting there, saying in my mind, "First and foremost, don't cry." Because I felt my eyes kind of welling up. And I said, "He loves you. He would not say this to be mean. Be curious about what he's saying." I asked a lot of questions about it. He says, "If you develop into a fully formed person..." I was, like, "If?"

I was, like, 26 years old, I was, like, "What do I have to do?" He's, like, "It's unclear. I'm hopeful, but it is not certain." I'm just, like, "Oh my goodness, this is

# “Why is he saying this? Accept it, do not push back, do not fight. If this feedback is a gift, take it for what it is.”

someone I admire and who I think of as a hero. He’s saying these things to me.” I’m then saying to myself, “Why is he saying this? Accept it, do not push back, do not fight. If this feedback is a gift, take it for what it is.”

I fundamentally changed that day. When I walk in, when I meet anyone, the first thing I do is ask them lots of questions about themselves. Because it takes all the focus off of me and onto them. That’s not being manipulative. It’s just, like, I’m here to speak. It could easily suck all the air from there to here, turn it back to someone else. That was what I got out of that. He didn’t tell me how to do it. But when I sat with you, I’m starting with questions: How’s it going? What are you doing? It’s taking the energy off of myself because I can be a big presence. The mentors that I’ve had, I think most of all, what they’ve done is they’ve been straight with me. It doesn’t help you for someone to tell you that you’re terrific. It doesn’t make you a better person. It doesn’t make you a better leader. Jamie Dimon always says, in the JPMorgan board meetings, to study the mistakes. Spend all the time on the errors and the mistakes. No high fiving around here. A lot of people can’t handle that.

**James Manyika:** Well, it’s harder to do, but, honestly, I want to come back to lessons learned and experiences. In some ways, I mean, you’ve been a remarkable leader but, also, you’re a woman, you’re a person of color . . .

**Melody Hobson:** Really? [Laughter]

**James Manyika:** And I just wonder, are there any particular things that have served you well as you think about how to navigate the world? Especially when, often, you’re probably in the minority in most rooms you’re in.

**Melody Hobson:** I think life is all about perspective and how you approach things. I just rewrote my caption on Instagram and those things, and I put “Investor, learner, teacher, happy warrior.” I originally had “warrior” and then I was, like, that sounds a little tough. Because everyone thinks the black woman is like that, and I was, like, “I’m going to put ‘a happy warrior’ because I actually am happy.”

The reason that I say that is because when I think about that minority issue, it is absolutely true. A Starbucks board member once—when I was not complaining but I was asking him some questions about diversity—he responded, like, “How long have you been black? How long have you been a woman?” Making it clear that this is nothing new. When I started working in business, I decided to use those things to my advantage. When I go into rooms, I’m unusual. Instead of being demure about it, understand that you’re going to stand out. I would go to investment conferences and Wall Street things, and people come up to me and say, “Oh, you’re Melody.” I’m, like, “How do they know that?” Well, it’s because I was the only one. Then I started to say, like, “I could be like Beyoncé or Cher. I don’t even

need Hobson.” I’m going to milk this, the standing out. I’m going to make it work for me as opposed to make it some cross that I’m bearing. And the times in which people are not open or receptive to that aspect of me, I’m going to figure out how to be unapologetic about who I am.

Someone said to me once, “Can you be strong but not tough, kind but not soft? Can you be not threatened and nonthreatening?” How do you find all these lines, these edges that you can live on? And around race and gender, it’s that not threatened and nonthreatening. I gave that speech at Princeton recently, and I said, “I came to Princeton. I was the first woman in my family to go to college. I was certainly the first woman in my family to graduate from college.” I said, “and I got here from Chicago—youngest of six kids, single mom—and I felt like I perfectly belonged.” No one expected me to say that I belonged there. I’d worked as hard as everyone else. I felt comfortable there. I didn’t feel alienated from the environment. Can you be in that room in a way that is not lacking in humility, but still feel like you perfectly belong when you’re the minority and the woman? And not allow ourselves to be diminished?

Now, at the same time, I can tell you, sometimes you have to crouch to conquer—the line from *The Art of War*. I give this story. I was on a board once with someone who was a megawatt superstar businessman. Well, every time I talked to him, if we were standing up, he would back away from me. If we started to talk standing right here, by the end of the conversation—which wouldn’t be very long—we’d be standing up at that other wall. I noticed I’d be walking toward him and he’d be backing up. I thought, he’s scared of me, I’m coming in too hot. I ran into him in the lobby of the St. Regis Hotel one day. I was, like, I’m going to try a totally different tactic. I saw the person and I was, like, whispering, “Hey, great to see you. How are you doing?” I got this little smile on my face. I was, like, “It’s great to run into you,” superquiet. He looks at me and he says, “Melody, sit with me.” I was literally in my heart doing the Snoopy happy dance. Conquered! Conquered!

The thing was, I wasn’t diminishing myself, because I was getting what I wanted. It was intentional. At the end of the day, I was sitting at that table, learning from him. I felt like I won, but I had to modulate in order for it to be comfortable for him and find that nonthreatening edge.

**James Manyika:** Right. One of the things you’ve been very outspoken about is obviously the importance of diversity in business, whether it’s on boards or among CEOs, and you see a lot of companies, both the ones you invest in, but also ones where you are on boards and so forth. What do you think works well, and what doesn’t? Because we’re struggling with these issues at McKinsey ourselves. We’re not where we want to be on these issues of diversity, whether it’s gender or ethnic diversity. What do you think works? What do you see companies doing wrong and doing right in tackling that issue?

**Melody Hobson:** This is the way I describe it, except everyone here is a millennial. I am not. I’m Gen X. And I did not have new math. I had the old stuff, where you carry [over] the one, that kind of thing. I remember when I was a kid in school, our teacher would say, “You get partial credit if you show your work. You might get the wrong answer, but I’m going to give you partial credit.”

Corporate America wants partial credit for showing their work but getting the wrong answer. They want pats on the back for trying. As my husband says, “Do or do not—there is no try,” right? You either did it or you didn’t. Every other thing we do gets measured. I like to say a line that I learned from a CEO: Math has no opinion. But in this area, we want credit for trying. You don’t get credit for trying to meet earnings expectations. You don’t get credit for trying to deliver the product on time to your client. You either do or you do not.

First and foremost is that this whole idea that trying is enough—that is not good enough in any other area of business. Two, in any other area of business, you don’t shoot at targets you haven’t set. But

here, a target becomes a quota. There's this debate about, "Well, you can't have a standard about what percentage of the team is going to be diverse, or this, that, or the other. You can't do that." But I don't know any target you can hit if you don't know what the plan is. But people are very reticent to set a plan on this issue.

Three, we all know this: in business, you get what you incent. Everyone says diversity is superimportant. I've been in rooms full of CEOs and I've said, "Every CEO in this room, raise your hand if your compensation is tied to diversity goals inside of your company." No one ever does. "Raise your hand if your compensation is tied to margin improvement. Raise your hand if your compensation is tied to profitability." For all these things, you get hands to start flying, but you get to diversity, which is superimportant, then you don't have the incentives that are there financially. I say to CEOs all the time when they talk to me about diversity, "Can you be a superstar at this company and fail on diversity goals? Can you get your full bonus? If you can, it's not important." Because you can't be a superstar at the company and harass people anymore. You can't be a superstar, it doesn't happen anymore. If you're failing on that, it's telling me it's not important.

Last but not least, I would say—and this is what I've said in a lot of meetings, which sounds very aggressive, but I believe it's true. "If you don't take this seriously, and you don't move forward on this issue, it's corporate suicide. It's not a question of *if*, it's just *when* you will die. It just is. Now maybe it'll go longer than you think, but over time, it will not work." What really amazes me, especially here in San Francisco—and I've been very vocal about this—it's not even about age, because we have, of course, companies run by very young people who grew up in, quote, diverse environments, and the companies have no women or minorities.

**James Manyika:** You've been watching and talking about this issue for quite some time. Has it gotten better at the leadership level, at the CEO level,

versus the board? Because boards seem to be a whole different kettle of fish these days when it comes to diverse boards and even CEOs. I mean, there seems to be a little bit more diversity on boards.

**Melody Hobson:** The interesting thing is to look at the numbers. Again, math has no opinion. First of all, America is very low on the totem pole of board diversity, just FYI, partially because of some mandates that exist in Europe. France has the most women on boards in the world, 40 percent. The UK is at 30. America is literally straddling between 18 and 20. We go back and forth, and we've stayed at that level for a very long time. If you look back a decade, it was closer to, like, 16. But we're not talking giant jumps. It's not one of these things where you wake up and you're, like, wow, the needle has really moved.

The same is true around minorities, African Americans, people of color, Latinos, Asians. Interestingly, the Asian number on boards is very low, despite Asian representation in certain parts of our economy. While it feels like we've made a ton of progress, relative to the rest of the world we really haven't. Relative to all the conversation that has occurred, you would think these numbers would be much bigger. Because white men represent something like 30 percent of the US population, but they represent north of 70 percent of board seats. That just doesn't make sense.

**James Manyika:** Yeah, I mean, by the way, it's something Alexis [Krivkovich] has been tracking quite a bit. Alexis [Krivkovich], who's the managing partner here [in the San Francisco office], has done a survey in the *Wall Street Journal* for, like, five years now on women and diversity within the corporate environment. But I want to make sure we also expand our topics. There's so much we could cover, Melody, because of what you've recently been talking [about]—also about the role of capitalism and society about inclusion, about inequality.

**Mellody Hobson:** Can I just say one thing? I see the people of color in this room. Because we exist, in the rarest of rare, people think there are a million of us, but really there just aren't. I know how rare you all are. I know how rare the women in this room are in terms of the whole scheme of corporate America. I know that because I can go whole days and not see anyone who looks like me. Yet there's this false narrative that so much progress has been made because of the conversation. There's a false narrative, a narrative over "We had a black president." It's interesting, right?

**James Manyika:** Right, it feels like we've gone backward in many respects. But let's, let's open it up, though I could go on. I was going to try to take us to the issues of inequality and even ask you about—after all we have an investor in the room, so I was going to ask you about the recession, but that's a whole other conversation. I would like to open it up to the room, if there are questions in the room; otherwise Mellody and I will keep talking here. But please put up your hand if you have a question. If you want to jump into the conversation.

**Audience question:** I really appreciate your TED talk—thank you for putting it out to the world—and my question is how, without putting the onus on us as people of color to always have to be the example, how do we stay calibrated?

**Mellody Hobson:** The question referenced my "Color blind or color brave" TED talk. Thank you so much for watching it. TED talks are really hard.

**James Manyika:** It's one of the most watched ones, by the way.

**Mellody Hobson:** It's so hard. It's memorized. When's the last time you memorized 16 minutes? From the beginning, there's not a piece of paper, a card, a note, nothing. All memorized.

But the question is, "Why is being a minority [make us the] person to carry the flag around these issues?" Do we always have to be the one to do that? I'm going to have an answer you are not going to

like, which is yes. I was at Princeton recently talking to a bunch of young students, and they were, like, "We're exhausted. We're constantly trying to explain things." I said, "Listen, this is the fact. We know more about them than they know about us—that is just true. We are the most elite people of color in the world. It's the least we can do is to carry this burden—the least. Because we are not in a field picking cotton. The people who were in that field picking cotton sacrificed a lot for us." If the worst burden that I carry is making sure that I advocate, promote, answer questions, make people more comfortable, and explain things that they don't know or understand—like when I get braids at Christmas; yes, I wash my hair; or that yes, I wear sunblock—or all of those things that we know that we've talked about 1,000 times. If that is the burden that I have to carry, that's nothing—just get used to it because it will be many lifetimes before we will not have to carry that burden, especially us.

**James Manyika:** Others jump in, by the way, if you have questions. One of the things we've been talking quite a bit about recently, are these issues of inequality. And I know, philanthropically and otherwise, you're very involved in those activities. What are your thoughts about what needs to happen about how capitalism works, if we're going to make progress?

**Mellody Hobson:** I've been saying for a long time that I think capitalism needs to be more inclusive, but make no stigma about it. I'm a capitalist. There is no other system. This idea of socialism, some of these other things, they just don't work. I studied all of these subjects in college. From economics to math to politics, I was in the Woodrow Wilson School. The data is just the data.

But that said, there is so much room for improvement. This improvement needs to be real. It's everything, from something very simple. People spend a lot of time talking about a minimum wage. It's a living wage that is needed in America, because in San Francisco \$15 is very different than \$15 in Nashville. That is just a fact. Just trying to equalize

this with simple math does not work. You could make \$15 an hour in San Francisco and still be living in a car. We know that.

In a society that is truly as wealthy and as thoughtful as our society is, we should be able to solve for some of these issues in a much more fundamentally fair way. That's everything from wage equality, which the gap is giant between men and women doing the same job, to the mommy tax, which happens when a woman leaves the workforce for some period to have a child—they see that an educated woman loses about a million dollars in salary, promotions, retirement funds, 401(k) plans—all of that, over the course of a career, for every child they have, versus a man. That data is out there. When you look at all of these things, it doesn't quite get there. The worst thing is for us to think that that is OK.

Now, at the same time, I believe, fundamentally, the American dream is that you could exceed your wildest expectations. There are no limits or caps to your success, but I consider it a privilege to pay taxes. That's my right to walk on this soil here. My taxes should be fair and equitable versus someone else who makes a lot less than me. Just effective tax-rate differences, all of that—regressive taxes—all of this really, really, really needs to be looked at. It does not create the differences that exist. I'm not about saying, well, that CEO makes 16 times more than the workers—I don't think that those formulas

work. But I do think that when you think about tax policy, when you think about equal opportunity, when you think about fair wages by gender and race, all of those things have to be attacked.

**James Manyika:** Yeah, in fact, one of the things that we've been spending some time on at the McKinsey Global Institute is looking at what's been called the social contract, and we look at your point about the living wage. The basic things—housing, education, transportation—have skyrocketed, and in a way that's way beyond wages keeping up with inflation. It varies whether you're in Nashville or San Francisco. Is there is a question?

**Melody Hobson:** Also, what it was back in 1950 versus today—you could raise a family, you could go on vacation, have a house, a car, and send your kids to college on that wage.

**Audience question:** Thank you so much for coming. You've achieved so much. I'm curious what aspirations you still have, because I feel like you've reached an incredible mountaintop already. You said you're still climbing it. What are your other aspirations? How do you keep yourself motivated and excited?

**Melody Hobson:** In our Christmas card last year, I quoted Laird Hamilton, "Never let your memories be bigger than your dreams." You have to dream big

**“In a society that is truly as wealthy and as thoughtful as our society is, we should be able to solve for some of these issues in a much more fundamentally fair way.”**

every day. I think that's fundamentally what gives you purpose and fulfillment and joy. I don't look back at anything I've done and think, "Done, game over." In fact, I wake up every day thinking I'm kind of mediocre, thinking I could do better, thinking that we could be more precise, and I'm always seeing the edges that could be better. That really does fuel me. I think Ariel has so much further to go. I think we have more brand than assets. I want all of you to want to invest with us. I want you to think that these are smart people that are driving returns that are going to allow me to fulfill my own financial dreams. Until that happens, I have a lot to do. And I love that line from Chuck Schwab, who said once about Schwab, "Around here, we feel like we're curing cancer." Well, we feel the same way at Ariel, around our beliefs in financial literacy and capitalism that is fair and equitable for everyone, and all of these issues that we talked about. As well as putting points on the board for pension funds, pensioners, and the like. All of that is really, really driving me.

Then, honestly, I have to say this because I was just on the phone downstairs with someone before I came up. I am beyond overwhelmed by the fact that my life is a miracle. Because my life is such a miracle, because I wasn't in a field picking cotton, because I've had the opportunities to do and be and learn from the best, I owe so much to society. So much. To think that I am done, and I am not paying that back, would be a travesty to all the people who invested in me, to all the people who sacrificed for me and all especially the black and brown kids who don't have anywhere close to what I have.

This is not to say that I believe I can fix that, but I can make my voice known. I can agitate, I can donate, I can make sure that, on that and many other issues, that I'm consequential to the extent that I can be and let people know I'm not letting you off the hook and I'm not letting myself off the hook. And I feel that way about, not just people of color, because we have had these unique opportunities in this rare era that we live in, but everyone in this room, everyone born in America. If you're born in America, we're not in Syria. We're not migrant workers trying to figure out how to find our way. They did a story the other day on CBS News. The kids had no shoes, it was

freezing outside. I'm [thinking], like, always someone is fighting for life. And we need to understand what responsibility that has for us. I feel like I will die with my boots on. I want my child to see that until my dying day, I have been a productive member of the society because I owe society that.

**James Manyika:** Wow. Well, I can certainly attest to that. I can tell you, even just before we came into this room, we were talking about that and she was—Melody's always dreaming big, literally. We were talking about all the other things that she wants to do, and all these amazing things she still has to do. And I remember when we were in Aspen, and a few of us were, actually, the only three of us in the whole place. You were agitating and pushing on what to do about board membership. That's what you were asking: how do we make sure we fix that? I think I can certainly attest that you're always thinking about all the other things we still have to do that are lying ahead of us. I see a couple of hands up. Go ahead. Right in front.

**Audience question:** I have to ask about feedback. You mentioned earlier that Jamie Dimon says to only focus on what's going wrong. When there are many layers of stereotypes that can feed some of the words that are given to you as feedback, how do you think about constructive versus deconstructive feedback? How do you take that on? What will you accept versus what you realize is not going to be true to who you are?

**Melody Hobson:** I'm so happy you asked that question. Because what I tell the young people in my office, we had someone come in and teach us about feedback. First of all, that when we give it an area, we first ask someone if they're open to it. We also said, you don't filter feedback based upon if you like the person or don't like them. There's no such thing as constructive or nonconstructive. It just is, and you decide if you accept it or not. What this coach said to us was that if someone calls you a horse's ass, you might think about it and you might reject it. The second time someone calls you a horse's ass, you might think about it again. The third time someone calls you a horse's ass, buy a saddle.

It's interesting because there are times I've gotten feedback and I didn't agree. But I didn't reject it and filter it based upon who's giving it or how are they saying it—were they nice? I can't stand when people are, like, you have to say something constructive. "Let me tell you about your learning, your challenges." They use all these words. Yes. I'm just, like, give it to me straight, don't give it to me because you can hear it better if I say it this way. I don't like that. I just really don't.

But also, there are times people said things to me that I'm, like—I've gone through phases. I try and learn something new every decade. I went through this decade of, like, obsessively working on swimming. I was swimming before a meeting once, and when I came to my meeting my hair was slicked. I was the only woman, and one of the people in the room said to me, "What happened to our girl?" I remember I was, like, thinking, "And you wear khakis with stains on them." I didn't say it out loud, but that's what I was thinking.

But I did say to myself, I said, interesting. I said, note to self, know what you're dealing with. You may decide you're not going to come with your hair slicked, or you may proudly come with your hair slicked, but just understand you don't have to react to that in any kind of fighting way. Just be very aware, there's a lens there through which that person sees you. It wasn't good or bad. It just was, it just was. It was feedback in a very specific sort of way. It didn't necessarily change how I felt about myself, but it was just something that I filed away to note.

There are times there have been feedback. John Rogers has to always give me the same feedback. Still does. Now we're co-CEOs but, remember, I called myself his grasshopper. I was just the person who did everything he wanted to get done. My schedule and life revolved around him, literally. He used to tell me in my reviews, he was always, like, "The merits of your argument don't matter. It's how you win." He would say that to me all the time. He's, like, "You are fiercely logical and intellectual about your argument, but you're winning badly. And, like, you're, like, leaving bodies. And yeah, you might be right. But it's cost you everything." He had to tell

me over and over and over again, until I finally got it. That was valuable and he never let up on it.

Now, when I'm in those kinds of modes, that's why I said "happy warrior," not just "warrior." Don't be ready for the fight. Understand how much your personality can overwhelm someone. How much fear you might induce in someone. How much you might intimidate them. Then understand that it's not just about your logic. I can give you example after example of feedback. Sometimes it's who we hear it from, when we hear it, what we're open and ready for. But I'm trying to stay open. I do these things and I'll ask my teammates, "How did I do? Did I answer a question badly?"

Someone told me, Michelle Obama, I love this story. She did that book tour last year. She was in all these cities selling out stadiums. After every single event, she went back to her room with her entire staff. And it would be, like, 11 o'clock at night, and they would dissect the entire event and go through what worked and what didn't work. Every single time. They didn't say, "This is our tenth one. We're good." Every single time, she wanted feedback, and that's why, when she gave that speech at that Democratic National Convention, I was, like, "I've never seen this kind of gift manifest itself so quickly. It shows, like, she's an unbelievable student." But you had to take the good with the bad in that situation. I think we need to be less sensitive. You know, we get real sensitive. We get the neck goin'.

**James Manyika:** We're going to take a couple more questions. I see one of them one over there. And then we'll start to wrap up in that manner. You get the last question.

**Audience question:** I want to ask a question about how you make the investments at your firm. How are you leading inclusion and some of these notions into the companies?

**Melody Hobson:** Oh, that's a great one. We own small- and medium-sized companies in our domestic portfolio, and that's what we're known for. John really was a believer in the efficient-market theory. Burt Malkiel, who wrote *A Random*

*Walk Down Wall Street*, was his corporate-finance professor. That book is in its ninth or tenth or 11th edition, I can't even remember.

We buy into this whole idea that the market is efficient, and the only way to outperform is to go to less efficient areas. We do international global because there's less coverage there and we do small and midcap in the US. Based upon that belief, when you look at our small and midcap portfolios, and you overlay our beliefs around what makes for a 21st-century company, we are often one of the largest shareholders in the company. Number-one or number-two shareholder in the company.

There was one point when we owned 30 percent of Sotheby's, as an example. Because we were such a large shareholder, we asked them about their board. We probed them on their management teams. We're pushing on these issues to say, "If you're going to be good, you need to understand all the potential customers that you have." Sotheby's is a great example. They had an all-white-male board. Because of us and our questioning, they diversified their board. We didn't pick the people that went on the board, because we don't take board seats of the companies that we invest in, because it would affect our windows in which we can trade. But we did say this is important to us.

Typically, when you have that kind of power, we're just telling people to use your power for good, and we go to pension funds and say that to them. CalPERS or CalSTRS, 25 percent of publicly traded companies in the state of California do not have a woman on the board. I bet my salary and bonus this year, they own shares of every single one of their companies by virtue of the size of their funds. They could say this is a nonstarter. Now, interestingly, the governor did. Jerry Brown put a law into place in California that he said he knew it would be contested, it would go to court, and they would lose. But he wanted to put a stake in the ground, saying that this is important. We try to use the weight of our own influence inside of these companies to effect that change.

**James Manyika:** Your question?

**Audience question:** Thank you very much for coming today. Really grateful to have you here. I want to go back to the feedback comment, which is particularly around what I've noticed is that sometimes there's a delta between what you receive in person and feedback and what comes out, say like when there's actually horrible feedback. How do you think about, like, developing a strong enough relationship with people to get true, honest feedback?

**Melody Hobson:** That's why I said, you can't filter the feedback based upon who's giving it. You've got to stop with that. At least I believe this is what worked for me, too. You have to ask for it and really mean it, and you have to ask for it a lot. You can't be telling me what I want to hear; it's "Tell me how I could be better. Tell me what I could do to improve. This is what I was thinking, does this make sense to you?" Giving solutions. I think that that leads to a really strong back and forth. People know when you really want it. They know when you don't. I can tell you, from my experience, most people don't really want it. They just don't. When you tell them the truth, they don't like hearing it.

That's why I purposely gave you the Bill Bradley example because I did sit there in that room and said, "Don't cry." I was really telling myself that in my head, to do everything you can to not well up because he won't do this again. If you cry, and then you won't be able to, why bother? If you're going to, he's going to think he hurt my feelings. Then he's going to say, "I have got to pick her up off the floor, dust her off." That's another 20 minutes of conversation. I can tell you I've had that. It's like, "Never mind!" So really mean it when you ask for it. Ask for it from your friends, ask for it from your family.

As I told my husband all the time, "I'm, like, what do you see?" I was on the phone once in the car. He was, like, "Listen, Melody, you're talking to a colleague at Ariel." He only heard one side. And he said, "You think you're talking to him with a cotton ball, and he thinks you're hitting him with a hammer. There's a

disconnect here.” I said, “How do you know that?” He said, “Because you don’t speak with qualifiers. And you were speaking with so many qualifiers with them. I know it was your attempt to be gentle.” And he’s like, “Wasn’t working.”

But it was interesting, like, he could hear it. Sometimes you need someone who’s like that. If you can’t have, like, a girlfriend or a spouse or a husband or a wife or whatever to give you really honest feedback, you’re lost. I had a year where I told myself, “Your goal is to be intellectually honest with yourself.” Because we’re not. I kept saying, “Be intellectually honest. Do not make yourself feel better by rationalizing a conversation, something you did, if you are an asshole, admit it. Admit it.” There were times I would be talking to someone. I would go back to them, and I was, like, “I was a jerk. I’m so sorry I did that. I got short with you. I could have been nicer. But I was really frustrated, and I was annoyed. And it doesn’t excuse it.” But in my head, I’m telling myself “You’re wondering why people are scared of you or running away from you—you’re treating this person badly.” We don’t tell ourselves that stuff. We say, “Well, they gave a dumb answer and they deserved it.” That’s how we rationalize it. That intellectual honesty starts with you, and then when you’re asking for that feedback, meaning it.

**James Manyika:** Manny, you get the last question.

**Audience question:** My question is, as an investor, how are you thinking about sustainability? And what about diversity? What are people doing well and what are they not doing well? How much is just lip service to be paid to it, versus what is going to be a real trend and drive a lot of investment?

**Melody Hobson:** This is every room. In every room ESG [environmental, social, and governance] is front and center. I’ll give you one example. Shareholder meetings are no longer about earnings, or strategy. Shareholder meetings have boiled down to ESG protests, issues, and people coming to say, “What about this? What about that?” on boards. We now know that. That’s number one: they know they’re going to get it. It’s real now, too. It’s not a fad.

Two. This is one of those situations where younger people see this very, very differently. They’re not playing around. I will tell you right now. I shared this in a Starbucks board meeting. My three-year-old daughter went to a school called Presidio Knolls. On her first day of school, she came back, and I said, “Well, what did you talk about at school?” She said, “We learned recycling.” Because I’m from Chicago, I did the eye roll. “San Francisco, I sent my kid to this school, where the first day it’s recycling and how to separate trash!” And I’m making all these statements to my husband. I was, like, that’s typical! And then she said to me, “Mom, straws kill fish.” She was three years old.

I was in the Starbucks board meeting and I was, like, “My three-year-old thinks straws kill fish. Three, she won’t use a straw. And then, when you look in the ocean, what do you see? Straws, right? That’s what you see in the trash.” Now, we were already on our path of our strawless cup, which is like a sippy cup. But it was fascinating to have that conversation. But then, at the same time, you have to understand that in America, one company makes paper straws. One company in the entire United States. They can’t do McDonald’s, let alone McDonald’s and Starbucks, let alone McDonald’s, Starbucks, and all these others. It’s just one company, right now, does this. You can have every intention, and now you have to get from an intention to an outcome. When you have 30,000 stores, you don’t get there in ten minutes. You have to be very thoughtful about a path. And I will use us as an example. We just put our markers down and we’re serious about them. And those markers are going down all over corporate America.

**James Manyika:** Like Larry Fink’s letter, right?

**Melody Hobson:** Right. Larry Fink has been clear about it. We ask all of our companies questions about their environmental records, their board governance, their sustainability goals—all of these things are now real. Because the risk to not doing it is a new, real business risk. I think people understand that. They are now quantifying, in terms of lawsuits, or in terms of fines, regulatory developments—all of that now is being listed in [10-] Ks and [10-]Qs.

**James Manyika:** Well, it sounds like it's time for the politicians to catch up.

**Melody Hobson:** Well, it's interesting because I think that some of the politicians are making it very clear. It'll be interesting to see if Greta Thunberg gets the Nobel Prize. I mean, it'll be fascinating to see. The mere fact that she's in the conversation says a lot.

**James Manyika:** Well, Melody, thank you. I know we've gone way over time. And thank you for your time. Please join me in thanking Melody Hobson.

**Melody Hobson:** So great to be here.

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Thank you for reading the transcript of the conversation between Melody Hobson and James Manyika. For more information on the work of the McKinsey Global Institute, visit [McKinsey.com/MGI](https://www.mckinsey.com/mgi).

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