Episode 7: Barry Salzberg, former chief executive officer of Deloitte LLP, on the upsides of downturns

Transcript

Mike Kearney: I've been at Deloitte for 22 years; really, my only job. I graduated college in 1994 and I have had the privilege of working with some incredible partners and some incredible leaders. And today I have the unbelievable good fortune of sitting down with Barry Salzberg, who was Deloitte's US CEO and then also our global CEO. And I'm really excited to talk to him about many topics.

First of all, Barry led Deloitte through the economic downturn of the mid 2000s and there are some things that really rose to the top, things that he did special. And the things that really jump out to me are how we as an organization, under Barry's leadership, took some significant risks during one of the most significant economic downturns since The Great Depression. And we're talking about building a $300 million university in Texas. We're also talking about making a major acquisition of BearingPoint for our federal practice. And then also, just the flawless execution of how we managed operations through that downturn.

Barry Salzberg: The best baseball franchises are made in the offseason. And you don't indiscriminately make a $300 million investment, you don't go out and buy a company just because the best baseball teams are made in the offseason. You don't do it during a recession just because you want to say you did. But if the opportunity presents itself and you can create an opportunity that matches the strategic imperative of your organization, it's a pretty good time to make a proper investment.

Mike Kearney: I'm Mike Kearney, the leader of Deloitte's Strategic Risk Practice, live from the iconic 30 Rock Building in the heart of Manhattan. Welcome to *Resilient.*

Mike Kearney: I’ve got to tell you, this a treat for me. Obviously, as the CEO of Deloitte, both in the US and globally, I've looked up to you for years both kind of in how you've mentored people, mentored myself, and then also, just your leadership style.

You know, today I think we've got the treat because I'm really curious to talk to you about two topics. One is as a partner looking back in the firm, the one thing I was always amazed at was how you led us through what everybody calls "The Great Recession." And not necessarily just leading us through it, but taking some pretty courageous risks along the way. And then, the other thing I want to talk about is leadership; I mean that's kind of what you stand for.

But I want to jump into Deloitte University and I have to say, as a partner in the firm, when I think about what makes me proud about being at Deloitte there's a lot of things, but definitely on the top two or three is Deloitte University. And so can you take us back to 2007 when you started to dream up Deloitte University and kind of give us your rationales as why. And then, that was right when things were starting to unfold with the markets and there was a lot of challenges in the marketplace. That was a pretty bold risk that you took, so what was your vision for it?

Barry Salzberg: Yeah. So first, thank you for those kind words. It is pretty interesting to be in retirement, looking at the firm from a different perspective. And I certainly love what we have as an organization and love to be part of it, even in retirement, so thank you for the opportunity to chat with you.

Deloitte University without any question in my mind is one of the hallmarks in terms of working something from beginning to end, seeing it right through that I'm most proud of. And so to hear someone like yourself, Mike, say that you are proud of it and it's something that's very near and dear and special to you. That really makes me feel good.

I will tell you that it started before 2007, so we need to put it a little bit in perspective. Deloitte University really started when I took over the reins of the organization and started to do deep dives, which is typically how I lead, early on in my tenure to go deep into a particular subject, understand it, and then see what emerges as potential needs and opportunities and continuing and enhancing and so forth.

Mike Kearney: So what made you pick learning? So it sounds like you took that, yeah?

Barry Salzberg: I picked HR, actually. So I picked HR and the costs were going through the roof and I wasn't hearing great things about how things were going in the organization from the people. I was going around the firm, I was listening to people talk and issues being raised, and I said we really need to address a people strategy; we really needed to understand what was going on in the entire HR/people arena.

And so when I took a deep dive, I saw that our learning costs were going up, astronomically going up, and the quality of our education was not increasing. And the volume of the material, the courses that we were delivering to our people was not increasing. I said to myself, "Well, why is this?"

Mike Kearney: And those costs are flying people all over the country, the hotel costs, the development, and—

Barry Salzberg: All of the above. And that number was going through the roof and it came back to me when I did this deep dive and the folks said you know, the reason that the costs are going up is because the cost of these facilities are going up. And I said to myself, "Well, it's very interesting that the cost is going up and we're not getting value for that in terms of the quality of the education, the number of people being trained, et cetera." So I said, "Guys, take a really deep look at this and let's come back."

Now simultaneously while that was happening there was some skunk works in our organization. When you're as big as we are as a company, people do things thankfully. That's how ideas get created; people are doing things all the time without being told to do it. And I found out that there was a Deloitte University concept emerging in audit as the auditors were beginning to think that they needed to get a more cohesive set of consistent learnings as part of their continuing education as auditors.

And they were coming up with an idea and then the HR group was working and sort of at some point, I don't remember the specifics, it all emerged and then we did a really deep dive on the concept that came out of this was “Why don't we create our own facility of sorts?” And there were all kinds of options in that regard and that's how Deloitte University sort of was given birth to as a concept. Then we did an enormous amount of due diligence and process and analysis that led up to the first shovel in the ground.

Mike Kearney: The irony though is a lot of it was focused on learning and just now going to Deloitte University three or four times a year the thing that I would say is the biggest takeaway is the culture element and maybe if you could talk about that for a minute.

Barry Salzberg: Yeah. And so actually, if you looked at what I just said, it started out as a cost issue, and when you really got into the study and you looked at other companies that had facilities and you looked at our people. You looked at the young people; you looked at the people that were involved in learning; you looked at the whole landscape; you walk away saying it isn't just about the cost. It was about culture, it was about teaming, it was about collaboration, it was about brand recognition, it was about recruiting, and it was about creating an uplift in terms of how people felt about the organization like you started the comment.

I mean I honestly believe when I started analyzing this with the team that this was going to be home for Deloitte and what a great way to create culture and a great way to transform a commitment to learning and development, which was in need of desperate repair.

So you put all of that together, and while it started out for cost, we believed after doing a whole lot of due diligence and surveys and analysis from other companies that this would ultimately result in more than just proper cost management activities. It would result in higher quality learning, stronger culture, and a greater level of teaming among all of our businesses, as that was one of major mantras that we needed to accomplish. It would work wonders on campus and young people, in particular, would be attracted to this and so forth.

And you know what, now that the whole Deloitte University is up and running for a number of years now, all of that plus has turned out to be true. And while we believed it, we didn’t know for sure that would be the case, but it is. And so it has become a ground for Deloitte to call home. It's the place where we demonstrate, through the fixed cost associated with Deloitte University, our commitment to people and our commitment to learning and development of our people specifically. I know Mike, you know this, but when times get tough companies cut expenses. And where did we cut the most?

Mike Kearney: Learning.

Barry Salzberg: Learning.

Mike Kearney: Learning.

Barry Salzberg: Learning. Maybe advertising was another one. But learning was one that we cut. And I said, "You know what, the time is for us to start really a long-term commitment to our peoples’ learning and development." And by putting a fixed cost on our balance sheet, I know that our partners would protect it and would further the cache associated with it. And, in fact, while I was worried that if you built it and nobody came it would be a disaster, we built it and everybody wanted to come.

Mike Kearney: That is not a problem these days. That is not a problem.

Barry Salzberg: That is not a problem.

Mike Kearney: Right. Barry, this all sounds great, but let's go back then to 2007. The decision could have theoretically been delayed. And so what interests me is the economic times were not great and I think it's very difficult for CEOs and executives to take to major risks when the economic markets are not looking really good. Can you go back to that because I recognize the fact that it may have been under development for quite some time, but you had to make a decision in a tough time.

Barry Salzberg: To go forward, yeah. So first off, I think there's a couple of things that are really important to get on the table here so that everyone appreciates that I made a terrible mistake. In the process of getting the idea of Deloitte University to board approval, I went to the board a little too early. And while I was ready and my management team was ready, and we had enough data to suggest that we were moving in the right direction with the decision to build Deloitte University, I really hadn't properly taken the board on the journey for the board to be able to best execute its stewardship and fiduciary responsibilities to the partners.

And I got wind of that right at the time that I was about to ask for approval and I learned that the board would probably not have approved going forward right at this time of great economic distress in the market. In part because of economic distress, but also because they didn't really understand the deep issues and analysis that we as management understood because we were working it like crazy.

And so we had to do an audible at a board meeting moving from "please approve this $300 million investment" to "let's go on a journey for the next nine months or so, so that you can understand all the intricacies of this investment decision as well as we can so that you can be best informed." And what happened by doing that is we walked right up to the middle of this crisis.

So I risked a no vote for a future no vote, as it turns out, because the economic environment really got more distressed. But with the confidence of the recommendation, with the data that actually allowed the board to really understand why we were doing this even at that time, I believe that we were able to move forward with this recommendation.

Mike Kearney: I'm just curious. So you called the audible, how many hours before or days before the board met?

Barry Salzberg: The night before.

Mike Kearney: Is that right? So you had to totally revamp the presentation of what you were going to the board with.

Barry Salzberg: Yeah. Our CFO and Joe Echeverria, who was the leader of the businesses for us, helping me drive the firm; he was my right hand at the time. He essentially worked through the night and changed the presentation from a recommendation to approve to here are the things that we think are important in making the decision to approve that we haven't shared with you yet. And so, let's go on a journey. We will either have the topic on every board meeting between now and when we're finished or we'll send you an interim document and progress report and some questions and so forth. So we went from approve to let's take a journey.

Mike Kearney: What advice would you have for other CEOs that are looking at major investments or strategies where the management team is totally on board but you need to bring the board on the journey based on that experience because you said you would do it differently.

Barry Salzberg: I would do it differently. And actually, subsequent to that faux pas, I had an opportunity to meet with the CEO of a major public company as part of my tour in visiting with our most significant clients. And he was in the middle of a major systems implementation engagement with an outside vendor, but of course, he was the sponsor of that systems engagement. And I asked him, “How long did you socialize this with the board before you actually asked for their approval to move forward with this investment?” And the size of that investment was of a comparable size.

And his answer to me was four complete board meetings on every agenda. You know, four consecutive board meetings he actually had it on the agenda, so it took the better part of a year to actually socialize it once they had done the analysis internally that this was what they wanted to do.

And so I said to myself afterwards, "Why didn't I meet with him before?" And so the lesson learned, and now at Columbia in my class in top management process, I actually teach a case on the building of Deloitte University and the creating of culture and all the things we talked about earlier. And this is the heart of one of the lessons: If you want to get something done, you have to have people that are willing to do it. To get people that are willing to do it to follow, to execute, and to drive with the same level of enthusiasm and passion that you have, you have to bring them on a journey. You can't tell them what to do. You can't just do it and expect everybody to kind of get on board.

And so I learned that socialization—of all stakeholders, not just—

Mike Kearney: Well, I remember bricks and clicks was that, yeah, a partner...

Barry Salzberg: Yeah, yeah. So that was a good example of the socialization. You know Brian Fugere, who was just an outstanding partner at the firm, suggested that concept. He said, "You know while you're thinking through big decisions why not do a debate in front of all the partners on the decision?”

Now you have to be in wet cement, you can't be in dry cement, because if you've already made up your mind, we will run shallow, you know.

Mike Kearney: Yeah, yeah, you know.

Barry Salzberg: And so you have to be willing to take input and mold and change what you're doing. And we were at the point with Deloitte University that that's exactly what we wanted to do. So we did a clicks versus bricks live debate at a partner meeting and we got all the partners to respond with what they thought about moving forward with an investment of this nature in the environment that we were looking at. And the partners were something like 75 percent in favor and 25, 30 percent, something like that, big question mark. Not necessarily negative, but a big question mark. But that’s socialization, socialization of the stakeholders.

Mike Kearney: Absolutely. I'm meeting with Brian on Friday so I'll make sure and tell him --

Barry Salzberg: Say hello.

Mike Kearney: Yeah, he'll love that you said hello and you gave him some credit.

The thing that was interesting about that bricks versus clicks, in some respects, the investment was counterintuitive at the time. And I say that because we're reducing real estate footprint, learning's going virtual, and we're saying let's build a $300 million facility. How did we get over on hey, it actually makes sense to move to a physical location versus putting a lot of that investment into virtual learning?

Barry Salzberg: So I was equally kind of puzzled by what was a frenzy regarding virtual stuff. Everyone was doing e-something or other at the time. And e-learning was becoming the way that we believed young people were thinking about their development. And the more work that we did, the more we realized that that wasn't universally true even with young people.

In fact, what we learned was young people believed that e-learning is a big part of the development of the technical stuff. Stuff that you go online, you can learn, take a test, and you'll get it done. But now professional development, soft skills training, people-related skill building kind of things. And the young people felt that in-person training, in-person development activities where the experiential nature of that learning and the interactive nature of that learning was a key element. That's what they wanted.

We asked the young people and that's what the young people told us. And when I took that survey at the partner meeting and 75 percent came back saying we want to do it, I was shocked because these are older folks that are looking at it the way I looked at it. I looked at it and said, "There's no way that the future of our firm is going to be in bricks and mortar because the young people were—that's not where they were headed."

Mike Kearney: Well, you know what's interesting is when I look back at my—God, I've been here almost 22 years I just cannot believe, but I remember it was all about the office. I remember even our managing partner when it started. And the challenge today is that we're all on planes, people work at home, and we don't have that thing that brings us together

Barry Salzberg: Deloitte University does it. And it turned out that that's what our young people wanted. And when we did the clicks and bricks and we followed up, we realized that's what most of our partners wanted and they realized the wisdom of it. Of course, everyone had a question. You know, where's it going to be located? What is it going to cost us above and beyond what our current operating cost structure is? Are young people really going to go? Are the partners going to support the young people going? What really is going to happen?

There were lots of questions. Do you really want to make that kind of investment? I'd rather take the $300 million and do something else with it. We had all kinds of challenges and, by the way, it's our largest capital expenditure that we owned. You know, as a partnership that doesn't pay for goodwill, when you come in or leave. Any partner that agrees to invest in this, mentally is committed to our people not to themselves, because they will not receive the financial reward of the investment.

They will receive the indirect consequences of the investment like increased productivity, longer tenure, better performing professionals, higher quality recruits; you name all of that, but you can't quantify that.

Mike Kearney: What about, Barry, I'm interested especially from a CEO's perspective, an investment like this or a strategic decision like this, is fraught with potential risks. And what's interesting in my mind is risk management is something that I do, it's something that our Deloitte Advisory practice does, and a lot of times, it's focused more on kind of compliance and operational issues. But where I think sometimes the most significant risks to a business are strategic choices like this.

And so what I'm trying to get into your mind is, how do you think about risk? And it's probably not necessarily like a traditional risk management professional would think about it. How do you think about risk in the context of a decision like this?

Barry Salzberg: Well, as you would expect, if you're trying to get a board of fiduciaries to vote and approve this, you have to not just talk about why you want to do it, you've got to talk about your alternatives and you have to talk about the risks associated with going forward or not going forward. And that's what we did in our presentations to the board.

So, for example, I believed at the time—and this was supported by the management team and a lot of the data that the team that was working on this developed—that the risk of not doing this was pretty significant to us. We were unable to crack the code on learning and development. We did not have a quality learning and development function.

Yeah, there were bright spots and yes, there were elements of what we were doing that was of a high quality. But by and large, our people, when they were evaluating our programs, were not evaluating them highly. And I was really worried that if we just kept up the same approach of "Okay, we'll make it better next year. We'll get better instructors next year, we'll have a different content next year," nothing would change. I call that institutional insanity, you know trying to do the same thing over and over and over again and trying to think you're going to get a different result.

I was really worried and the team was really worried that we weren't going to crack this code. So we were worried that if we didn't do this, or some version of it, that we would never get a high quality learning and development function. And being a regulated entity operating in a very new and complex environment, requiring our people to do things that they didn't do before in terms of professional development and leading clients and driving our business operations and so forth, we were really worried that we wouldn't have what we needed to have to succeed. So that was a big risk.

Mike Kearney: I would also argue in that analysis as well—what if our competitors did it? And the one thing that you said earlier, and I see it every day when we bring recruits in, I mean and they come to Deloitte University. I haven't heard a lot of people that have come to Deloitte University and said, "Yeah, I'm not going to Deloitte," especially a lot of our interns. And so I'm guessing that probably factored into your decision as well.

Barry Salzberg: Always competitive issues get into the mix of a decision. What will our competitors do? How would we feel if our competitors did X? I wasn't as worried that our competitors were going to do this on their own. None of our intelligence would have indicated that they were even thinking about it. But I would tell you this, once we did it, one of our competitors announced their equivalent of Deloitte University, but they didn't have any brick and mortars; it was all about a virtual learning program globally. Another one patted me on the shoulder at a function that we were at where the CEO came over to me and said, "I don't understand how you were able to do that, well what a brilliant move. How did you get that done in a partnership?"

And so I know that from a competitive perspective it was in the fold, but I wouldn’t call it one of our bigger risks. The risks that we had in doing this, besides the one that I just talked about, is financial risk. You're putting $300 million. You're in the middle of a very difficult economic environment. Did we have enough financial reserves in case we weren't at the bottom and we were going to continue to fall?

We worried about intergenerational fairness because the partners that were partners at the time we were making this investment were the ones really putting up the capital. And over a long period of time, they were not getting it back other than through the indirect way. So you always have to think about equity and fairness for all constituencies, and that was a risk that people wouldn't see it the same way.

The risk was we wouldn't be able to develop a high quality curriculum that would meet the standard of a Deloitte University.

Mike Kearney: Physical location is great but where's the content.

Barry Salzberg: It's great but you’ve got to have content, you’ve got to have content. And then we were also worried that partners weren't going to buy in and weren't going to send their people. Because we're a client services business, right, and clients always come first in terms of conflicts and commitments of time. And we were really worried that, you know, you have a capacity for 800 rooms and we weren't going to get high utilization. Big risk.

Mike Kearney: I could tell you, trying to schedule trainings, that is not an issue.

Barry Salzberg: Not an issue now. You know what was a big issue, Mike, which I don't think people realized at the time because we were able to crack the code, and I give huge kudos to the team to really having analyzed this this way. We were a peak learning and development business, meaning we did learning and development in peaks. We did it in January, we did it at the end of the fiscal year, we did it when the busy season slowed down and people were more available. It made sense.

Mike Kearney: Right. I mean what audit practitioner is going to go in February? None, right?

Barry Salzberg: No. No, no tax professional is going to go in April.

Mike Kearney: Right.

Barry Salzberg: But if you're going to have a facility like this, you have to spread out the learning and development hours. You can't have 150 percent utilization in one week and zero utilization the next. So you have to create a consistency of experience for people that it's open, doing business, and occupied at a reasonable utilization level all the time.

And so our team had to redesign the timing for our learning and development, decide which programs would be done at Deloitte University and which would not. That was a big risk that that wasn't going to get done or get done properly.

Mike Kearney: Did you ever rethink, once the economic crisis was in full effect, did you ever kind of stop and say, "Well, we probably should wait on this," or were you full steam forward once it was moving?

Barry Salzberg: Oh, no, no, we really had to think about it. And I was constantly in touch with my leadership team asking, “Are we still behind it, guys?” You know, here they are trying to minimize costs because we were missing our revenue targets, we were worried about what next year would bring and what the year after that, because when you're the middle of a deep—

Mike Kearney: You don't know, yeah.

Barry Salzberg: You have no idea how deep it's going to go. And so, yeah, I was worried about it. It bothered me a lot. I was a bit nervous. It takes a little bit of your confidence and sort of puts it in perspective. But we discussed it openly, we discussed it openly amongst the management team, we discussed it openly amongst the board. And when we ultimately took the vote, by the way, to approve Deloitte University, it wasn't unanimous. And that didn't happen all the time because you did a lot of work to get unanimous support, but this one we didn’t get unanimous support. And some of the reasons for those that didn't vote yes for it, the highest ranked reason was the cost and moving into a deep economic trough.

So yeah, that was a big risk, making an investment of that nature. But I'll tell you, you have to turn everything into an opportunity and a lemon into lemonade, so what better time to hire a construction firm when they're business is down and I will tell you our operating team, led by Joe and others, did a fantastic job of being able to get that done. And get a really good deal.

Mike Kearney: And I think that's part of this whole narrative is when you're in a downturn like that you can take advantage of the current economic conditions and do things that you otherwise may not be able to do.

Barry Salzberg: You know, a retired partner from your neck of the woods, Mike, once told me that, and I'm not a sports enthusiast of any degree, but he told me that the best baseball franchises are made in the offseason. And you don't indiscriminately make a $300 million investment, you don't go out and buy a company just because the best baseball teams are made in the offseason. You don't do it during a recession just because you want to say you did.

But if the opportunity presents itself and you can create an opportunity that matches the strategic imperative of your organization, it's a pretty good time to make an investment. You've got to have the staying power, the patience, the courage, and the wherewithal to be able to withstand some deficiencies associated with your investment, because not everything goes perfectly by any stretch. But if you are, and you have that strength, it's a pretty good time to make a proper investment.

Mike Kearney: So you're rolling down the track on DU, and now we're really starting to get into the economic crisis, and now you're rolling the dice on BearingPoint, which is unbelievable. And that's what I think, you know, to a certain degree contributes to the legacy that you've created. But take us back to that time and the strategy behind BearingPoint because that was a huge acquisition for our firm.

Barry Salzberg: So I think, yeah, it was. You don't realize how much it was and how significant it was at the time because today as an organization we're very comfortable making acquisitions. And we've done a lot of acquisitions since the BearingPoint days. But if you go back to right before we made the decision to buy BearingPoint—

Mike Kearney: That's a fair point, we weren't that acquisitive.

Barry Salzberg: We weren't in an acquisition mode. But we had completed a strategy for the firm, we had looked at all of our businesses, in particular in consulting, and especially in connection with the federal consulting practice. Maritza Montiel came to me early on in my leadership days with the team in Washington that was responsible for a very fledgling federal practice.

Mike Kearney: We were like not even on the list.

Barry Salzberg: We were not even on the map. And she came to me, again, like I talked about a bit earlier, proactive skunkworks and said, "You know, Barry, we have an opportunity here. We are fledgling and we think that the market is ripe for an investment in a federal consulting practice, in particular, but broadly a federal practice. And we need to put together a business plan to demonstrate that." And we had a good conversation about the prospect for it.

So she set the stage years before that to really create a federal consulting practice and included what ultimately was a business case that was presented to me, approved by the leadership team, and ultimately, approved by the board included an acquisition strategy to scale.

Mike Kearney: So I think that one of the things that I think's important and you mentioned this with Deloitte University, the strategy alignment. This was done years prior to—

Barry Salzberg: This was before, years before. But we still didn't have the courage, the strength to go forward and make a big acquisition because we hadn't.

Mike Kearney: Hadn't done it, yep.

Barry Salzberg: So we're investing in people. We're hiring people. We're getting all kinds of information on the street, public information, people that are joining us—you can see the morale on their faces when you recruited them. And you can say, you know, BearingPoint seems to be a high quality shop, but was not operating well. It didn’t seem to have a strategic vision and focus that would move them forward.

We have this strategy that says, this is what we ought to be doing and the opportunity is great. The risk-reward analysis was pretty darn good. And so I, with the leadership team, said, "Let's pursue this." And so the team—I had very little to do with the ultimate process of buying this company. I had all to do with approving the original strategy, seeing that this opportunity was completely aligned with the strategy, being prepared to invest because we said we would invest.

And because if we were going to invest and we're going to invest in a company of this size and quality, then would be the time to do it because it was the best price for the value that you were getting. And I said, "Guys, go forward." And then I simply watched a crackerjack Deloitte team make this happen. And it was just a wonderful example of high quality work.

Mike Kearney: So I get it. And it sounds great. And 2016, when I think we're at the all-time high with the market and things are going great. But this was not in 2016, this was when the markets were cratering. What gave you the confidence to say go ahead and go do this?

Barry Salzberg: Yeah, the markets were cratering, but it was the commercial market. So this is the federal practice—

Mike Kearney: Fair point. Fair point.

Barry Salzberg: —and so that's one of the messages that I would say is you can't treat all businesses the same. Even in a downturn or in an upturn because not every business performs consistently in a cyclical kind of way with other businesses. So this one was still doing okay.

Mike Kearney: I get that the business was doing okay, but we still as a firm had to make an investment. So I guess that's what I'm trying to get in your mind of how you get the confidence, because I'll equate to my personal life. I was not running out and buying a lot of stocks in 2008. It's like I don't even want to deal with that, right, because your risk threshold's low. How do you get the confidence to say we're going to do this and it makes all the sense in the world?

Barry Salzberg: Mike, all I can say is data. You have to have the strategic vision, you have to align what you're proposing to do with that vision, and then you have to have the data to back it up and the analysis of that data to demonstrate that this is a good investment economically and strategically. It was very easy for me—

Mike Kearney: So you're not making it based on emotion.

Barry Salzberg: No, you have to take it out. And so, strategically, it was pretty clear. And then when you did the ROI analysis and you do all the metrics that any corporate finance guru would do based upon what the price would be, based upon the economics of the practice, based upon the carry over effect into our business and the uplift that that would have created. It didn't take a lot to convince anyone that this was a smart acquisition for us to make.

It's just, "Okay, now pull the trigger," you know. Go ahead and make this investment because it was our biggest acquisition that I could've remembered.

Mike Kearney: What did you do to make sure that the integration went well? Because this could've been the best investment ever, but the integration could have gone poorly, and then it wouldn't have been a good investment. And I will say just now, many years later, I work with the federal practice all the time. It's gone splendidly.

Barry Salzberg: Yeah. So we, as a firm, have the preeminent post-merger integration consulting practice in my view. If we didn't use our expertise internally and figure out how to create a plan for integration, how to monitor the progress that we would be making against that plan, and create the commitment of people to own pieces of that plan, we would be like the shoemaker without shoes.

And so we did that. And so we appointed very senior leadership in Moritza, in Doug Lattner, and others to own the transition. The board took on the responsibility of monitoring the progress toward that transition. I can't begin to tell you how complicated it was to bring on so many people on one day and give them computers and give them ID cards. Forget about the business transition, just the physical transition. And our teams just did a fabulous job.

Now I must tell you that this was very complicated and it turned out to be very similar in concept to when we did Monitor. Where what we acquired was small in connection with all of Deloitte, but in connection with the subject of what they did, what we acquired was bigger than what we had.

And so integrating professionals and creating leadership roles and making sure that we got the highest value of the acquisition was no small undertaking. And a huge credit to the team that I mentioned and others in making sure that there was cultural integration, that there was physical integration, that there was client integration. I mean how horrible would it have been if, the day after we bid on an opportunity, two arms of the same firm were competing against each other?

Mike Kearney: Yeah, it's funny in some respects because you mentioned just even coming into the office, those little things matter so much. Especially culturally, because here you are like, “I've been purchased by another organization, is the fit going to work for me personally?” So those little things, all those little things matter so much.

Barry Salzberg: And I would say the attention that the consulting practice gave to it and the role that Joe Echevarria had at the time, what he gave to it was critical. I mean without it, this would have probably just moved along at a snail's pace if at all.

Mike Kearney: If at all. And not been as successful as it's been. So we've talked about two really good examples of risk that you took, but I think just sitting in a partner’s seat, you know seeing the emails, the voicemails, the webinars, it was very impressive how we kind of just operationally managed through the downturn.

There's a couple things that come to mind and one is the fact that you indicated that it started well before.

Barry Salzberg: Yeah.

Mike Kearney: And so that would indicate to me if you're an organization that hasn't started to think about downturn planning, now you should start absolutely. One of the things I find interesting is it's not even necessarily related to economic downturn, but scenario planning is an unbelievably powerful tool also in crises events and things like that.

And what I find oftentimes with companies that we work with is you know, I know that potential disaster is going to come. I know that cyber breach may happen, but I'm not going to worry about it right now, I'll just deal with the implications or the ramifications when they come down the pike. And it sounds like what you're saying is scenario planning is a really effective tool to help you be able to respond in those times.

Barry Salzberg: Yeah, I really do think so and I think though, Mike, you're introducing another concept in the hypothetical that you created of contingency planning. And I think contingency planning and scenario planning are slightly different from each other, but they're all directionally planning before an event.

The contingency planning, I look at it as a very specific kind of scenario like if one of your major competitors acquired a company that together they become really powerful compared to your competitive platforms. Very specific and you identify the situation, you identify what it means for, in this case, the competitor, what it means for you, and the kind of actions that you would take then if that contingency actually happened.

Scenario planning is a broader situation where you do multiple scenarios. And we did multiple scenarios, you know, “What if it was a deep recession? What if it was a soft and quick recovery?” You know, there were all kinds of economic models led by our economists that allowed us to look at the broad picture of what might occur if the economy went south.

And then, what happens is, when you do that, you could identify actions that you should take now that would apply regardless of which of the scenarios actually happened. So when you do scenario planning it often is immediately followed by actions that undoubtedly, regardless of the scenario happening or not, you would take without risk.

Mike Kearney: Any final advice that you would have for CEOs, senior executives, and boards as they’re managing through downturns? And you’ve given a lot.

Barry Salzberg: Planning is most important. So you’ve got to plan before you get there. Two, is when you get there communicate well. Communicate well during the planning process; communicate well during the execution phase. Be bold, because there's going to be opportunities in the market. Be smart about which opportunities you want to pursue, but be bold, be prudent. Act with heart where you can. This is still about people, you know. No matter what company you are, you're made of people and you’ve got to take quick and decisive action, but you don't have to take it crudely.

And I would say remember that for every problem, for every downturn, there's going to be—even at that time—investable opportunities. Organically or inorganically, and not every business should be treated the same way. So don't spread peanut butter across the organization during a downturn.

Mike Kearney: What an incredible conversation with Barry and I'm so thankful for him giving the gift of time. And it was so good we're going to continue it in our next episode where we're going to be focusing on Barry’s perspectives on leadership.

I want to thank you for listening to Resilient, a Deloitte podcast produced by our friends at Rivet Radio. You can hear us by going to deloitte.com or visiting your favorite podcatcher, keyword Resilient. Also, hit me up on LinkedIn with any comments or recommendations for future guests. I've been pleased with how many messages I've gotten, so thank you for those who have sent me comments or messages on LinkedIn; it means a lot to me. And my profile on LinkedIn is under Michael Kearney, last name is spelled K-E-A-R-N-E-Y.

And remember, leaders who embrace risk improve performance and are more prepared to lead confidently in the volatile world we live in.