



Be a Conscious Leader

Harry Kraemer, Executive Partner, Madison Dearborn Partners, Clinical Professor of the Kellogg School of Management, and former CEO, Baxter International Inc.

When Harry Kraemer joined Baxter International, the health-care company that invented IV solutions, he was a recently minted MBA who had just finished a couple of years as a corporate lender with Bank of America and financial analyst with Northwest Industries. Kraemer was a smart, hard-working finance whiz who became CFO of Baxter after ten years, and went on to become the company's CEO and Chairman. During his climb to the top of the C-suite, he met every earnings target and quadrupled the company's stock price. Along the way, Kraemer realized that self-reflection is critical to "values-based leadership" and is as important to business success as minding the company's balance sheet.

Under its current CEO Robert L. Parkinson, Jr., Baxter continues to be a thriving company. In spite of the global recession, the company grew its global sales by 10 percent in 2008, and expects to grow by another 7 percent in 2009. Baxter generates a hefty annual cash flow of \$2.5 billion, about a third of which it reinvests in R&D. It's one of the leading producers of hemophilia and immune-therapy solutions. Baxter is currently at work on a pandemic-flu vaccine, and undertaking development work with smallpox and SARS (severe acute respiratory syndrome).

After 23 years with Baxter, Kraemer joined the Chicago private equity firm Madison Dearborn Partners, in 2005. He's also a clinical professor at his alma mater, the Kellogg School of Management, and is an active adviser on more than 10 boards.

For Kraemer, becoming a conscious leader requires these five disciplines:

- [Be self-reflective](#)
- [Understand multiple perspectives](#)
- [Maintain life balance](#)
- [Be confident yet humble](#)
- [Manage people's expectations](#)

Harry M. Jansen Kraemer, Jr.

- Born 1955
- BA, Lawrence University, 1977
- MBA, Kellogg School of Management, Northwestern University, 1979
- CPA
- Northwest Industries, business development
- Bank of America corporate lending
- Baxter International, Inc. (1982-2004)
 - Joined as Director of Corporate Development
 - Promoted to Vice President-International, 1989
 - Promoted to Senior Vice President, CFO, 1993
 - Appointed Director, 1995
 - Named President, 1997
 - Became CEO, 1999
 - Elected Chairman, 2000
- Madison Dearborn Partners, LLC (2005-present)
- Executive Partner
- Clinical professor of management and strategy, Kellogg School of Management, Northwestern University
- Schaffner Award, Kellogg School of Management, 1996
- Lavengood Professor of the Year, Kellogg School of Management, 2008
- Director: Sirona Dental Systems, GmbH; VWR International; Scientific Application International Corporation (SAIC); Northwestern University (trustee); Lawrence University (trustee); Johns Hopkins Bloomberg School of Public Health; NorthShore University Healthsystem
- Member: Dean's Advisory Council, Kellogg School of Management; Advisory Board of LEK Consulting; the Business Council; the Commercial Club of Chicago; the Chicago Council on Global Affairs; the Executives Club of Chicago; and the Economics Club of Chicago.
- Avid reader about world civilization
- Married to Julie, five children



Be self-reflective

My style of leadership starts with self-reflection. In my opinion, 99 percent of us are just racing around and in constant motion, and not really taking the time to think. Until you actually take the time to slow down and ask yourself what you think are the real key questions, it's very difficult to wrap your arms around anything. If I'm just running around and getting through my to-do list, I might get the feeling that I'm productive and getting a lot done. But is it important?

If I'm not being self-reflective, I don't think I can really know myself. And if I can't know myself, how can I lead others? So you have to start upfront by asking a lot of questions, whether you're dealing with work colleagues, a spouse, or children. Why am I here? What's important? What is it really all about? And if I say certain things are important, is that reflected in my actions? If people observe me, would they agree that those are clearly important things to me? It takes a lot of self-discipline to be open enough to ask these kinds of questions.

I'm not sure why people aren't willing to close their door, by themselves or with a couple of colleagues, and ask some of these fundamental questions. If I have 25 years of work ahead of me, am I going to just let time move forward and live in the moment, or am I going to take the time to think through what I want to do? What difference do I want to make?

If you're not self-reflective, you can't put things into a global perspective: where you fit, where the globe fits. And if you're not capable of doing that, then you end up defining yourself by what you happen to be doing in a specific period of time. If you are self-reflective, on the other hand, you really see your own journey. You become objective enough to see how you evolve over time.

Most people get to the end of the week and say, "Boy, that went by fast!" I approach it a different way. At the beginning of each week, I ask myself what am I going to do with those 168 hours? I'll focus on what's really important, and whatever happens that week I have thought through pretty clearly.

Being self-reflective allows you to be present for everything that happens every moment of



Baxter International Inc.

- Founded in 1931
- Global health care company specializing in treatment of complex medical conditions (hemophilia, immune disorders, infectious diseases, kidney disease, cancer, trauma)
- Key businesses: BioScience (includes vaccines, hemophilia therapy, immune therapy, albumin therapy, blood separation and collection systems); Medication Delivery (IV solutions, pre-filled vials and syringes); Renal (peritoneal dialysis products for patients with end-stage renal disease)
- Pioneer in blood collection and storage containers and systems
- Pioneer in kidney disease solutions such as dialysis
- Currently developing pandemic flu vaccine
- 48,500 employees
- Manufacturing facilities in 26 countries
- Sales in 100 countries
- 2008 sales \$12.3 billion, an increase of 10 percent from 2007
- 2008 net income \$2.0 billion
- Headquarters: Deerfield, Illinois
- Ranked No. 2 in Medical Products and Equipment, Fortune, 2008
- Ranked No. 236 in 2008 Fortune 500 list
- Global 100 Most Sustainable Corporations in the World by InnoVest Strategic Value Advisors, 2008
- Singapore Quality Award for Business Excellence, 2008
- 2008 Shingo Prize for Excellence in Manufacturing, Costa Rica
- 2007 Shingo Prize for Excellence in Manufacturing, North Carolina and Mexico
- 2007 – Leader by U.S. Departments of Defense and Veterans
- Administration Award for Healthcare Product Data Quality
- 2007 Medical Products Industry Leader of the Dow Jones Sustainability World Index (DJSI World)

your life. And so you'll never end up saying, "shoulda, woulda, coulda."

What CEOs Do

Self-reflection is the foundation of Kraemer's leadership philosophy. It enables us to play to our strengths and compensate for our weaknesses in the midst of change, and to open our minds to others. When we are self-reflective like Harry Kraemer, we are able to read and manage our emotions, and put day-to-day decisions in a broader, more holistic context.

Self-reflection allows leaders to achieve conscious living. Being conscious means understanding your place in the world, and understanding yourself and your relationships with other people. It allows you to establish a direction in your life that's based on where you are and where you want to go, rather than to live reacting to life's twists and turns. To Kraemer, being conscious is a way of life that spilled over into his work at Baxter, allowing him to work every day with a clear purpose.

Ask Yourself:

- Do you take time to be self-reflective, by yourself and with others?
- What are you trying to accomplish in your life and work?
- Do you manage your to-do list, or does it manage you?

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Understand multiple perspectives

When I went to school, I became a math major, and I was very quantitative. I was convinced that there was an answer to everything, and it was pretty much black and white. I thought people who gave nebulous answers weren't very bright, or weren't willing to see the right answer. But over time I started to see the grayness of life. If I don't understand where you're coming from, I will take the time to seek out your point of view. In the end I may agree or disagree, but I'm going to take the time to understand where you're coming from.

I learned to understand other perspectives from a woman who sat on the board of Baxter. I used to disagree with her by saying, "You know, Gail, I thought that made sense, but perception is reality." And after I said that a couple of times, she said to me, "You know, Harry, you think you're being open by saying perception is reality, but you are assuming that there's reality and there's perception. I know you're a very concrete mathematical guy, but I'm convinced there are multiple realities."

I started to think about this and realized that Gail was right—there are at least two sides to any story, and even multiple sides. Take for example four people standing at the corner of an intersection who witness an accident. You see the accident and say, "Well, that's what I believe happened." But depending on the angle you had, your view of what happened and whose fault it was could be quite different from the other three witnesses. That's the idea of multiple realities. So a very big piece of being conscious is to make sure you take the time to understand everybody's perspective.

What CEOs Do

It took Harry Kraemer a good 10 years at Baxter to grow from a financial analyst to his first executive role as CFO. That's when he realized that he needed to broaden his mathematical view of the world to incorporate multiple viewpoints. Unlike corporate finance, leading people is seeking to understand where other people are coming from, and reconciling different viewpoints. It's important to be conscious of your own goals and be clear about what you want to achieve. But to influence others, you need the

ability to step outside of your own set of beliefs and understand what truly motivates other people.

Most of us feel the need to be heard, and assume that the more power we acquire, the more we should assert our point of view. But the real finesse in leadership is to draw out other people's true beliefs, assumptions, and goals so that we can include their perception of reality in our calculations of what it will take to execute a given strategy and help them achieve their personal best.

Ask Yourself:

- *Do you consciously seek out other people's views?*
- *Are you able to withhold judgment when listening to others?*
- *How well do you navigate between your own perception of reality and what others are telling you?*

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Maintain life balance

I've always thought of work-life balance as a strange concept. It implies you're either working or living. I think of it more as life balance. And that balance starts with the self-reflection piece. If I know what's important to me, then I should have a clear understanding of the trade-offs I need to make in order to maintain a positive life balance.

My career is important to me, but my family is also important, my health is important, my spirituality is important. By constantly pushing yourself to understand what the trade-offs are to achieve the right balance with the things that are important to you, you end up deciding what you're going to give up or not give up. That's how you achieve the right balance.

Every time I would get promoted, I would call my wife Julie and say, "You're not going to believe this, but they're going to make me the CFO of the company!" She would say, "Harry, I only have one question. Do you think you can take that job, and we can continue to focus on having a balanced life? Can we do that exactly the same way we do today, or are you going to get caught up in this thing?" And I'd say, "You know Julie, that's a great question. I think I can keep things in perspective."

I remember asking myself, "What does 'getting caught up' mean?" To me it means becoming more materialistic. Or it could mean to lose perspective or my sense of humility. And that's not me. There are other CEOs I rub shoulders with who own sailboats larger than the square footage of my house. And I just love telling them that I'm driving around in an eight-year-old Toyota, and that I live in the same house I had when I was a financial analyst. I feel good about that.

What CEOs Do

Achieving balance can be one of the most difficult challenges executives face in modern organizations. In fact a Kenexa global survey recently found that work-life balance ranks right up there with compensation and growth opportunities as a key reason why people join—and leave—organizations. Only in China and India does work-life balance appear to be a non-factor.

Harry Kraemer's view of work-life balance is insightful because he considers work to be a part of life, not an ancillary, overly demanding component that somehow needs to be contained. He uses life balance as a more adaptive concept. In fact Kraemer was renowned at Baxter for spending time with his kids in the middle of the workday. He didn't carve out time spent with family as something you do after work, but created as many opportunities to balance his personal and work life in an open, caring way.

Ask Yourself:

- *Is achieving life balance valued in your company?*
- *How well have you maintained life balance as you take on more senior roles?*
- *Do you consciously make trade-offs about what you should and shouldn't do?*

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Be confident yet humble

There's a chain reaction that's unleashed by the process of self-reflection, life balance, and understanding all perspectives. What's at the core of this chain reaction is self-confidence and genuine humility. True self-confidence is the point where you figure out that you don't have to be right. You're going to try to do the right thing. But you need to acknowledge that there are people brighter than you, more athletic than you, whatever the case is. But you're okay.

There's an incredible weight—an anvil—that 80 percent of the people I know carry around. They feel they've got to be right. They've got to be careful how they say things— because what if someone thinks they're wrong?

A big part of self-confidence is realizing that on a good day you may know 20 percent of the answers. I know what I know, I know what I don't know, and, by the way, I've got enough self-confidence that whatever I don't know I'll either figure it out or surround myself with people who know a lot more than I do. And I'm going to tell them what I don't know. I'm probably only right 20 percent of the time, but if I've got an incredible team of people, we'll be right 95 percent of the time.

Blend with this what I call genuine humility. By that I mean I've been given certain gifts or talents which I have an obligation to use the best way I can. I'm not going to forget where I came from—you need to keep it in perspective. Don't read your own press clippings. Because you're in the right place at the right time, you're able to achieve certain things. But if you're being honest, some of it is working hard, some of it is skill set, and a lot of it is luck and timing.

When I first started to think about this, I was worried about the tension between confidence and humility. If you've got too much confidence, you're going to get arrogant. If you've got too much humility, then you're never going to be a leader. But now I've convinced myself that there's no trade-off between confidence and humility. To be fully conscious, you need to have more of both.

What CEOs Do

Self-confidence is a necessary attribute of every successful leader. As Kraemer explains, confidence is about believing in yourself and your ability to master your environment, yet without feeling the need to have all the answers. As Rosabeth Moss Kanter, the author of Confidence, says, "Confidence is the sweet spot between arrogance and despair—consisting of positive expectations for favorable outcomes." You can't build a winning team without it.

Humility is a great complement to self-confidence because it brings out openness to learning from others. Being humble involves admitting that you don't know everything and not feeling like you have to know everything. It entails deeply listening to others and being eager to learn something new. Humble leaders like Kraemer are generous in their compassionate and respectful attitudes toward others. And they are generous in their gentle and accepting attitudes toward themselves.

Ask Yourself:

- How comfortable are you not knowing—and asking for help?
- How confident are you in yourself?
- What do you do to build self-confidence in others?

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Manage people's expectations

As CEO, I made sure everyone knew how we were going to operate. People need to know what the rules are going to be. You have to be very clear about what behaviors are acceptable and which ones are not. If you do a good job articulating these values, then it's all about getting the right people. I spend a tremendous amount of time communicating expectations—and getting back every opinion, understanding every perspective.

At the end of the day, we'd better generate results. Because if we don't, our shareholders will get somebody else to do it. In every job, you have independent variables, like people, and dependent variables. The dependent variable for the CEO is shareholder value. If you can't generate it, you're not going to be in the job very long.

As a public company, we've got to be accountable to our shareholders. In my first week as CFO, I went to meet the 30 largest shareholders—in New York, Baltimore, Philadelphia, and Boston. I asked them to help me understand how they would hold me accountable. They said, "Some CFOs tell us they are going to generate 20 cents, and only generate 18 cents. Then they get mad at us because their stock price takes a hit. Quite frankly, we thought you were going to do what you said you were going to do. If you thought three months ago you were going to make 20 cents per share, and you missed, then how do I know what you're going to do in the future?"

"If you said to me, Harry, 'I'm going to generate 20 cents and you generated 18, and here are the five reasons why. I've got this one project that's going so well, instead of spending \$20 million in R&D, I threw in another \$20 million.' You know what? Your stock price would have gone up."

I came back from these shareholder meetings convinced that they made a lot of sense. And I told my people at Baxter, whatever we say we're going to do, we'd better do. The shareholders own the company. So let's make sure everybody understands that we're going to deliver. The only reason shareholders are focused on this quarter's performance is because they need an indication of what we're going to do in the future. This dynamic between shareholders and executives is unbelievably important.

What CEOs Do

Leaders in every company have the twin challenge of being conscious and caring for others, yet needing to deliver. They need to strike the right balance between setting stretch goals and delivering what they said they would do.

By seeking to understand shareholders' expectations, Kraemer built an important bridge that he maintained throughout his tenure at Baxter. He understood that leaders are successful when they meet or exceed expectations across the board— those of employees, customers, peers, and shareholders. By focusing on these relationships, and cultivating his conscious self, Kraemer not only delivered what he promised, but also developed a brand of leadership that lives on at Baxter.

Ask Yourself:

- *How well do you manage expectations?*
- *Are you consistently delivering what you said you would do?*
- *What can you do to build authentic relationships with others?*

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