

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

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**Jacob 00:48**

Hello, everyone, thank you for joining me today for another episode of The Future of Work with Jacob Morgan, my guest today, David Cote. He's the former CEO of Honeywell and he's the author of a brand new book called Winning Now, Winning Later, have the copy sitting right here next to me. There you go. had a chance to read it. It was an awesome book. I learned a lot from it. So David, thank you so much for joining me today.

**David 01:14**

Glad to be here.

**Jacob 01:16**

So the very first question that I have for you is actually something that you talked about in the epilogue of your book. And a lot of listeners are always really interested in in the background of successful leaders. So can you tell us a little bit about how you grew up where you grew up? It didn't sound like you were the type of person that you are now when you were a kid you said you were lazy immature and directionless.

**David 01:42**

Yeah, and I may be understating that

**Jacob 01:48**

how did you grow up?

**David 01:50**

Well, what am I learning was I had a lot of ambition, but apparently I had no idea how to realize any of it though, and I grew up in this Small French Canadian enclave in New Hampshire called Suncook. And this is where French Canadians had emigrated to fill the textile mills that were popular in the late 1800s, early 1900s. And there really were no role models in town. My mom and dad, like us, like say I was the first one to graduate from high school. My dad had six months, my mom had two days. And my mom always said she wishes they could have been a bigger help to me in terms of guidance and so on.

**David 02:36**

But at the end of the day, I've told them, their guidance was actually hugely helpful because both of them really taught values that ended up being really important later on. And I've said, I've been asked

many times, where did you learn most of your leadership lessons and they expect me to name some famous CEO and I always say the same thing, you know, my mom and dad. basically the stuff they taught taught us all his kids still paid off later in life.

**David 03:06**

So I grew up there and hated school. I was good at it. But I didn't like it. I didn't put any time into it. Nearly quit when I was a senior in high school, then got accepted at the University of New Hampshire. Quit before I got there. I decided I'd be a mechanic in my dad's small garage. And that didn't work out because I had no capability when it came to mechanics and I went out to Michigan deciding to be a carpenter with my uncle and learned I had no affinity at all for being a carpenter. And then I enlisted in the Navy to go for six years on a nuclear submarine and the day before I was supposed to swear in, I called and said, what happens if I don't show up tomorrow? And the chief petty officer said, Well, you know, they've made a commitment. This is going to be really difficult. It's not something that you can just get out of and I thought about it for a moment I thought, okay, maybe this was an indication that I knew how to ask questions as I thought about it for a moment said, Well, if I don't show up tomorrow, can you send the cops to the house to get me? And he hesitated a moment and said, no I can't do that. So I said well that I'm not coming.

**David 04:18**

So it was August wondering what to do. I figured, okay, I'll just go back to school. And they wouldn't accept me. Because they said it had I had to reapply, which made no sense to me. So I drove to, they said they'd accept for January, not for the fall semester. So I drove to the University of New Hampshire with my long hair, jeans and flannel shirt, and parked myself in the Director of Admissions Office, and told the secretary it wasn't leaving until I saw him for a couple of minutes, even if I walked to the car with him. So they had me sit there for a couple of hours, but eventually he saw me and what a nice guy. He said, If I filled out an application need let me back in. So I did. Got into school.

**David 05:01**

After two years, the Assistant Dean of Students called me to her office and said I'd no longer be allowed to live on campus. Because I was a general troublemaker. And I said, Well, what exactly did I do? And she said, it's not one big thing. It just seems like wherever you are, there's trouble. So okay, I was tired, never having any money. I decided to get a job working the second shift while I went to school during the day and did that for about six months. And then my buddy and I said, Ah, we know the way to get rich here is we're going to be by our own boat and be commercial fishermen off the coast of Maine. So I was going to school days working nights and running a fishing boat, something had to suffer and school did so I got a one eight, that semester, quit again.

**David 05:49**

Then my buddy got married and his wife said you're not going to keep fishing with that idiot friend of yours, are you and so he had to say no, he, you know, quit. We sold but we weren't making any money anyway, it was another thing I wasn't good at. And it seemed like everybody was getting married. So I did too. And first month we're married, living in this third floor un-heated uninsulated apartment in New Hampshire. So yes, it's chilly. And first month we're married, she says, I'm pregnant. I said well how's that possible? I thought you're taking the pill. And she said, Well, it's a pill baby. I said okay. Fourth

month, she says I can't work anymore. And I did the analysis and found out on based on my blue collar, take home paycheck. We were spending two bucks a week more than I was making. And I looked at it I had 100 bucks in the bank and I figured, okay, I got 50 weeks to figure out what to do. So okay, the only thing I'm going to school, so that was my epiphany.

**David 06:48**

I always tell my oldest son, he's the reason I'm successful because he scared the crap out of me. I thought my kid's gonna die because I'm a screw up. And I can remember when he was born in February, bringing him home and I found myself taping up all the windows with masking tape and afraid was going to die because I was a screw off. And I have to say that motivated me, I've told him nothing has motivated me in my life, like his pending birth. So that was my beginning it was like I said, a little directionless as you can tell. But once I got direction, I was able to focus a bit and turn turn it into something.

**Jacob 07:25**

That's crazy. I feel like your personal story is just as fascinating as the story of like when you got to Honeywell, and we could have a whole conversation. So many questions about everything that you just said, but I know a lot of people want to hear about Honeywell. So one thing really quick before we move on to that you mentioned that your your parents instilled a lot of values that helped shape who you are as a leader. Can you share what some of those values were? And do you have any stories of how your parents made those values come to life?

**David 07:58**

Oh, sure. I'd probably say the biggest one was I know my mom used to always say think for yourself whenever I wanted to do something with my friends. My dad used to always say, be a leader, not a follower.

**Jacob 08:16**

Hey my dad said the same thing

**David 08:18**

Yep, different ways that the same thing, really irritating when you keep hearing it as a kid. But what you end up finding out as you get older, and I'm fond of saying independent thinking is a lot more rare than being smart. There's all kinds of smart people out there who can explain to you why things are the way they are, use 1000 words to your 10 and sound very convincing, but they're not really thinking for themselves. They're just kind of parroting what everybody else has said. That ability to think was really important.

**David 08:51**

Working hard was another one. And both my parents worked very hard. My mom raised five kids and did everything on her own. And one point was raising 5000 chickens at the same time. My dad I don't work less than 80 hours a week, in the whole time we were growing up. And oftentimes more than that, because that's what he needed to do to make ends meet. So hard work was instilled in all of us.

**David 09:19**

And then a story that stuck with me since I was 12 or 14. I forget how old I was at the time. But my dad was very proud and a tough guy. I mean, he, as a kid, you certainly didn't ask him a question twice. You asked once, whatever the answer was, that was it. You didn't pursue it. And I can remember this, we're sitting on the curb which was unusual, it meant that it was an extremely slow day, and there was nothing left for me to clean. And I'm just sitting there with them and they were kind of shooting the breeze looking around and a customer pulls in, and he greeted the customer with his usual cheery greeting, you know, how are you doing all that kind of stuff. And this customer was irate, he gets out of his car, and he just starts yelling at my dad and yelling in a way. I can hear it. And I'm thinking to myself, Oh my God, he's gonna pop in one. I can't. I'm gonna see it right here. It's gonna happen right in front of me. So I'm going to keep my eyes open to see this.

**David 10:20**

My dad just kept saying, I'm sorry. I'll make it right. I'm sorry. I'll take care of it. And he just kept doing that until the customer was finally placated and drove off. And my, my dad came walking back, I wasn't going to say a word. I was just kind of staring off into space, you know, looking at him out of the corner of my eye and he sat down and always remember you kind of looked off into space a little wistfully. And he said, you know, Dave, sometimes in business and in life, you have to put your ego in your back pocket. Oh, no, sorry. You have to put your pride in your back pocket. And man that always stuck with me. Whenever I've had to do it myself, I thought, okay, this is the smart thing to do right now just, you know do like my dad did.

**David 11:08**

I'd say last one is my dad would be a pretty colorful guy and you always say start at the bottom. Make sure you understand how things work because that'll help you get to the top. And they would always add on to that and just remember, the higher up you climb the flagpole, the more people can see your ass. Which was a good reminder to treat everybody with courtesy and respect.

**Jacob 11:34**

Yeah. Oh, man. These are fantastic stories. So how did you go from I mean, you were this this young kid, you were scrambling you were worried that your your child's not gonna have enough money, working hard and how did you go from that to being the CEO of a multi billion dollar company? What was that career path like because I mean, it doesn't seem like a natural progression.

**David 12:03**

I wouldn't say was to go from hourly employee for two and a half years running a punch press and other equipment to being the CEO of Honeywell isn't, I'd say typical career path. And becoming, yeah, becoming a CEO that ever even that thought never even occurred to me until I was about 40 years old. So I'd say for the first 17 years or so, I guess it would be I just wanted the next job to pay more than the last one. Because I never wanted to live again like I had to for that first four or five years, where every week I'd be figuring out which bills can I afford to pay and which can I afford to let slide and I said, I don't want to live my life like this. I could, I can't stand it. So whatever I did, I looked at said, okay, will this pay more and does this help put me on a path where I can make more again.

**David** 13:02

And I had my first general manager type position when I was, I guess was about 40. And that's when I started thinking, gee, you know, I think I could probably do this as a CEO, it doesn't seem that hard compared to what I'm doing now I should be able to have the skills to do it. And interestingly, I got all kinds of advice from friends, business colleagues, HR folks, all telling me not to try to become a general manager to begin with, because I was, I had been in finance at that point. They said, You're good at finance. That's where you ought to stay. That's your career path. And it's another one where you have to be able to think independently because I looked at it and said, Yeah, okay, I think I am decent at finance. But I think I could be decent at something else also, and I don't want to be 60 years old and look back and say, Gee, I just didn't have the guts to find out whether I could do it or not.

**David** 14:02

And I realized, okay, I need to think it through a little bit and say, am I willing to risk failure to find out? Because that's the decision you make. And I thought, Okay, I think I can do this. But that evolution to getting to that point was strictly one of if the next job will pay more, and I need a job, I will take it. I can't say I really started kind of general management CEO thoughtfulness until I was 40.

**Jacob** 14:34

Wow. So before we jump into Honeywell, one more question for you. I know that there are a lot of people who are listening and watching who are, you know, similar situation, they're, they're frustrated in their careers. Maybe they feel stuck. They feel like there's not a very clear progression to go forward. What is it that allowed you to kind of see that there is a path forward? I mean, do you have any advice for people who may be worried that similar position that you were in have I mean, what would you tell them?

**David** 15:03

Yeah, I guess I would bucket it into a couple of different barriers. The first one is, you have to have performance. And your performance can't just be okay. It's got to be like top 10%. So you have to look at it say, okay, am I performing that way because I always used to say, where someone went to school, all that kind of stuff. That just made a difference with their first job. After that they had to perform. And, and not just, you know, make your commitments and be like everybody else, but you have to be a standout in your numbers and your performance.

**David** 15:47

The second one is you need visibility. Somebody needs to see it, somebody who can do something about your career. Now you have to be careful, though. You don't want to wait your ambition on your sleeve As the old saying goes, constantly be tooting your own horn talking about how great you are. But if you're in a position where nobody can see what it is you're doing, then that's going to hurt your advancement.

**David** 16:14

Now when it comes to a more personal side of it, two things I would point to there, and kind of a take off on the what we just talked about, but some people think they're performing. And their boss doesn't quite agree or thinks what they're doing is average compared to everybody else. It's very easy for people to

get sucked into the idea that as far as they're concerned, they're doing a great job. If their boss doesn't think they're doing a great job, then it's probably not going to get them very far. So people really need to reexamine, is it that I have a truly bad boss, which does happen not as often as people think but it does happen or is it me?

**David** 17:00

Then the second piece of it, and a bit tied into this is you have to be self aware. And you have to be a learner. And when I say self aware, this is something that whether you're dealing with a particular situation, and what's the best way to handle it? Or what are the things that about you that you need to be aware of that are issues for you both end up being important because if you say, Okay, I have a certain management style, this is what I use everywhere and everybody has to adapt to me, you're probably not going to be as successful. As if you can figure out okay, how do I motivate each of the people that works for me in a way that works for them? Then when it comes to understanding yourself, this is one that takes some introspection. It's painful, and it can take time. And I can say that it was when I was about 40 years old before some of those things finally dawned on me.

**David** 18:00

And I'll give you the big one was. I've been told since my first appraisal that I could be defensive. To which I would say No, I'm not. Not recognizing the irony. Yeah. That and then when I realized the irony of it, I used to take more words to explain how my boss was incorrect. But I was about 40 again, then I was in this meeting with a bunch of peers. And one guy said something, I responded to him and he said, geez, Dave, don't be so defensive. And I thought, Okay, this is a chance to finally allay this misperception, and I turned to another friend of mine said, So, I mean, do you consider me defensive? And he said, Nah. Dave, you know, I wouldn't say you're defensive. But, you know, I would say that if we say something negative about your organization, and we're not 100% correct. You will rip our lips off and I thought wow, okay, well, this is something I got to be aware of.

**David** 19:05

So from that point on, and I can't say I had no relapses, but I became a lot more aware of it and said, if I'm going to make good decisions, I need to make sure people are a lot more comfortable with always telling me things, whether I like it or not, whether you're right or not. I have to learn to make sure that I have the right people around me who tell me and I have to make sure that I control my own emotions so that I don't react defensively. Because I think everybody's got them. You all got issues, you have to figure out what they are. And I always say it's a four block, there's like good advice, bad advice. You take it, you don't take it. because not everything people tells you tells you is going to be correct. They may just have an axe to grind. But you got to maximize the good advice you take and the bad advice you reject.

**Jacob** 19:55

I think that's wonderful advice. And I love that you mentioned there's no substitute for performance and you still need to be great at what you do. So let's, let's fast forward to Honeywell. You just take over as CEO, can you give us some description of what was Honeywell like when you first started there? Like do you remember your first day on the job as the CEO?

**David 20:18**

Yeah, I do. It was actually pretty easy because you do a lot of stuff with press and just say hi to employees. And so that was all pretty straightforward. The part that came as a surprise to me was that I was the CEO. And that same day I was instructed through the board that I was not to focus on any of the numbers or the financials and until I was chairman four and a half months later, to not look at any of the financials. I thought that was a little weird. You know, there's a point just kind of learned the businesses, but then it became extraordinarily weird when just like in the normal course of activity, you're talking to a finance guy and say, so how's the quarter going? And the finance guy looks at you and says, I'm sorry, Dave, I've been instructed not to answer any of those questions from you. Wow. Okay. Well, I thought I was the CEO, but who is running this place?

**David 21:18**

And I realized until I became chairman, it wasn't me. And when I became chairman, and finally was able to see everything that was going on, it was then I realized that as bad as it looked externally, it was even worse internally. The aggressive bookkeeping was, I'd say unhealthy to be conservative. You look at it over a previous decade, we only generated 69 cents of cash for every dollar of income we ever generated, which gives you a sense for the bookkeeping. We have severely underfunded pension plan. With that also had aggressive accounting. We had environmental liabilities that 100 years old, chemical company has that had never been addressed nor recorded. And we had exposure to asbestos in two areas, none of which had been recorded or addressed. And on top of that, we had an empty pipeline of products, services geographies, with three warring cultures. And I had a board I couldn't trust. And I had a staff that couldn't trust three of whom who interviewed for my job. So it was quite an uncomfortable place to find myself. And very lonely because, you know, who the heck do you talk to at that point?

**Jacob 22:37**

Yeah, yeah. Man, that sounds like a very unpleasant situation to be in. And I love that the board was hiding this from you until you became chairman, which is very bizarre.

**David 22:52**

They preferred to, they prefer to not know. And in one of the board meetings, I actually started talk about the accounting and what I needed to do. And I was pulled aside by one of the leading directors after the meeting and said, Dave, we never want to hear about that, again, in the board meeting, as far as we're concerned, if there's an issue, it's up to you to deal with it. Okay. And I know some people will look at and say can't possibly be that bad. And I relate the story of this new litigation lawyer that we hired Kate, Adam. And I saw right that to start handling all these lawsuits that we had for everything. And so I asked her, I saw her in the hallway like six months afterwards, and I said, so any buyer's remorse about coming to Honeywell? And she said, No, this place is fascinating. I love Honeywell, we have just an extraordinary portfolio.

**David 23:54**

I said, That's terrific. I agree with you. I think our businesses are underestimated in terms of what their capability could be, she looked at me and said, Oh, well that too, but I'm actually talking about the portfolio of lawsuits. We get sued for everything, all kinds of stuff all over the world. It's absolutely

fascinating. I looked at her and said, you know Kate, as a CEO, that's not exactly what I want to be proud of.

**Jacob 24:22**

Yeah. You don't wanna hear want to tell too many people about that. Okay, so you get into the situation, it's clearly a toxic, a hostile environment. You can't really trust anybody you don't really have anybody to talk to. So what do you do? What were some of the first things that you did to change Honeywell into the amazing company that it is now?

**David 24:46**

Well, the first focus was I thought, I'm gonna have to bring all these cultures together. We can't keep running this with warring cultures and they even had a name for it. They called it the red versus blue wars. The Legacy red Honeywell versus the legacy blue allied signal. And then the legacy pathway folks who had no color but didn't participate at all either way. So they actually had a name for it. And I thought, Okay, I gotta unite the culture. So they all three of them wanted me to pick their culture as this is what we want to be. But I could see pluses and minuses to each.

**David 25:23**

So we developed this amalgamation that we ended up calling the 12 behaviors. And I can remember as we were trying to develop them, and I only spent a day or so with my staff developing this, you know, I did a template and that template but a draft. And then we all looked at it work at it together. And one of my staff members said, geez, Dave, why are we spending all our time on behaviors and culture when we've got all these strategic issues we need to address and I said, my response was, well, I can make all the strategic decisions you want but If nobody does them, it really doesn't matter what I decided. We need to have a culture where people work together and actually do what it is we say we're going to do. So that was number one.

**David 25:26**

The second one was to just scrub all the bad business practices, all the bad accounting. And I told everybody, I want all this stuff out of the system within a year. No more distributor loading, no more cutting deals with suppliers for advanced payments you can book as income, no business sales you can book as income, no more accounting transactions that generate a bunch of income and no cash, all this stuff stops. And we focus on increasing sales and cutting costs. And that's how we're going to focus. Along with that. I wanted to fill the pipeline and said, How do I get a pipeline do the seed planting, if you will, when it came to geographic growth, product growth, service growth And starting to focus on improving our processes. So those were kind of the big fundamental areas that I decided to focus on in order to turn the company around.

**Jacob 27:12**

What about the culture aspects, I would imagine that there were a lot of leaders who were pushing back against you when you wanted to make these changes. Because this was probably financially rewarding for them, like these old outdated practices that they had in place. So how did you deal with leaders who were like, Um, no, we're not going to change. We don't want to do that. What happened with the pushback? And did you get any actually?

**David 27:38**

I did. And it varied. So for some, they said right from the beginning. Thank God, we think this is a ridiculous way to run the company. Glad to get rid of this. There were others who looked at and said, No, this is the right way to do it. We've always done it this way. Whether they were-- more corporate types, then the business types. And then you had the folks in the middle. And it was kind of interesting because you get a call at the end of the quarter saying something like, Hey, boss, you know, I can make the number. But I need to do this. And I know you've said not to do that. So what do you want me to do?

**David 28:18**

And I'd say that's when you're in the crucible at that point. Because writing all the values down writing all the behaviors down, that's the easy part. The tough part is when you get to do walk the talk, do you stick with the investment in the seed planting that you talked about? Do you not allow them to do the accounting transaction or the distributor load? And those are the ones where I can say, to a fault, maybe I never succumbed on any of them. And I would tell them, I want you to make it. You still have to figure out how do you either sell more or cut cost, but I'm not going to do this and if you miss it, you miss it, but it's on you. And I made sure I put in audit practices to make sure that none of this stuff happened. But it's easy to know whether the accounting happened distributed loadings a little tougher, you got to do a little more work to find out, was that happening. But once the employees start to see you walk the talk, that's what starts to change the culture. You can have all kinds of posters and all that, but posters don't do it. People need to actually see that it's working that way.

**Jacob 29:29**

Yeah, no, I couldn't agree more. So in your case, it sounded like there needed to be quite a big culture change. And you actually have one story in your book. I think it was during during a meeting and somebody gave me like 150 page document like a presentation they put together.

**David 29:50**

Oh yeah, well, that that happened more than once. But this one was particularly notable because rather than just express kind of facial frustration. This guy actually took the time to take me to task on it. Yeah. Cuz I mean, the whole place was set up to just presentations were a performance. And you kind of listen to the performance and applauded and said, great job go make it happen. And then everybody kind of put everything away and never thought about it again.

**David 30:27**

And I could remember it because it was this one business, this one leader, and several of those kinds of run ins and can remember having a strategic discussion at one point where I said, I want to understand our strengths and issues. And we started with a strengths page, and they had like 15 or 20 strengths listed on there. And we spent maybe 30 seconds on it, and they flip the page to go to the next one. And I said, No, no, wait, wait, wait, wait. I said, Okay, this first one. Tell me what this means. And why is it a strength and They went through it. And I went back and forth with what about the competition when it came out? Well, I guess it's not really a strength, its capability that we have. I said, Yeah, but it's not a competitive difference, because everybody else can do this too, right? Yes. All right. Let's go

to the next one. Well, by the time we got to the third one, that same business leader was like Dave, you know, if we keep this up, we're never going to get through the pitch. And I was, well, you know, this is critical if we're going to understand truly, what is the strategic strengths and weaknesses of the business? We need to understand what the heck they are. And right now, from what I can see, we don't understand what they are. So we're going to spend the time to figure it out.

**David** 31:40

And another time, he objected, because I was bouncing around like I do, I'd ask a question. And they'd say, well, we'll cover that on later. And I'd say, Okay, well, what page and they'd say like page 37. So we go to page 37. It's well, you know, it doesn't really cover it. This is what my question is, what you found was they just had all these ways of just kind of postponing all the difficult questions to just kind of get through the pitch. And that's the way a lot of looked at is you just want to get through this and be done with it, then you don't do anything, you just kind of put it on the side. So he literally told me, Dave, you know, I gotta object that how you're handling this conversation, because we've put a lot of time and thought into this presentation. So I had to take a moment. And I said, Well, I guess it depends what the point of the presentation is, is if it's for me to watch a show. Yes, I should just sit here passively. If it's for me to learn about your business, and for me to be able to be helpful at points in the future. Then we got to run this presentation based on how do I learn best? And the way I would learn right now is if you answered my questions right now, instead of making me wait and have to remember it well, as you might imagine, That leader didn't last that much longer after that.

**Jacob** 33:05

Why didn't you quit? So when you found out that all this was happening and you got put into this position, why didn't you just say screw you guys I'm out of here. Why did you decide to stay? When you had basically the the cards the deck was stacked against you. I mean, they made it as hard as they possibly could to turn this company around. Why did you decide to go with it?

**David** 33:28

Well, I guess for a couple of reasons is one, good or bad. I'm a finisher. So whenever I start, even if it's a book I don't like I finish it. And like I said can be bad too because whatever is on my plate, I'll have a tendency to finish that too. So it's it's a good and bad item. I'd say the second one is I was going into this without a good reputation already. I was considered. Gee didn't make it to the first tier in the GE succession race wasn't even the first choice to run Honeywell, both of which were true. And I remember it was on CNBC at one point, the the reporter said, we're not sure this company can be turned around. And if it can, we're not sure this is the guy to do it because he didn't make it to first tier GE succession and wasn't the first choice to run Honeywell. So, I'd say I was in kind of a corner myself and regardless of the circumstances, probably the smartest thing for me to do was to do what I did and that's okay. Try to figure it out.

**Jacob** 34:41

Yeah. Okay, that makes sense. Um, how do you define leadership?

**David** 34:48

Well, I break it into three pieces that I say are necessary for somebody to be a good leader. The first one is the ability to mobilize motivate a large group of people. I'll also say it's the most visible, but it's only 5% of the job. motivating a large group of people isn't that hard. And you could do it a number of different ways. It's not just a great speech. It's how you act, the way you conduct yourself. There's a number of ways to do it. But a lot of people will look at somebody who gives a great speech and say, oh, man, that person is a great leader. And they don't realize now they're just a great orator. It doesn't mean they're a great leader at that point. The next two are the really big steps.

**David 35:40**

The second step is can you pick the right direction. And too many leaders can sound great, they do the fad surfing, they can be very conversant on whatever the hot topic is out there. But do they make the right decisions to put an organization on the right path in the right direction. And I oftentimes say if you spend, you got everybody motivated. And then you spend 40 years wandering in the desert, you're probably not a good leader. That's not a you're not good for the organization. Kind of a corollary to that, is that one of the most undervalued things a leader does, but one of the most valuable things a leader does is avoid trouble in the first place. And the press gives no credit to leaders for avoiding a problem. Because it's not noticeable. It's not news. There's a lot more attention is paid to the company or the leader who gets into trouble. And then if they can get themselves out of it. Well, that's an additional story. But the leader who avoids all that trouble, you never never hear about it.

**David 36:55**

The third piece and this is just as important is mobilize everybody, you've picked the right direction. Can you now get the entire organization moving step by step in that direction? And I still think there's still too many leaders who think, look, I make the big decisions, and then I have great people and they make it happen. Well, I like to say there's a difference between delegation and abdication. And that's abdication. With delegation, you find ways to verify for yourself, are things happening out there the way you think they are. And you make sure that whatever you decide to do, truly has a logical implementation path that you're not trying to be too broad. You're not under resourced, but you've picked the right focal points resource them right. And then you have have an independent way of finding out is it working that way? It's why I spent 500-600 hours a year on the plane traveling around the world I mean, visited over 100 countries and visit customers go with sales guys do town halls, factory visits, just to see are things happening the way I'm hearing they are. And it's important when you do that to look for falsifications bias instead of confirmation bias. And leaders, once you've made a decision, all of us have a tendency to see all the facts aligned consistent with that decision. They're just all all that much more obvious to us than they were before. Well, while that can be good, as a leader, what you need to be looking for are what are those facts that are inconsistent with my having made a good decision here? They just don't quite fit. Am I missing something? Was there something about my decision that isn't right? And leaders need to be looking for that false suffocation by as constantly.

**Jacob 38:53**

Yeah, no, makes a lot of sense. You know, of course, I have to ask because there's a lot of change happening in the world now. You know, things like Black Lives Matter with COVID. Are you seeing leadership change? Have you seen leadership change over the past few months as a result of what's happening in the world now?

**David 39:12**

Um, I don't think what's required to be a good leader changes over time. And if you went back and said, Okay, so how did Julius Caesar lead versus how do today's leaders lead? I think you'd find that a lot of the leadership qualities they had were the same because you're dealing largely with human nature when you're doing this. And that doesn't change all that much over the millennia. That also means that leaders need to adapt, leaders need to evolve. And it's always a big focus with me was that whether you're a company, an organization, a country or a person you had to evolve, whether it's learning how to be more self aware about yourself your company and the things that you're focused on your country and the things that it's focused on. You have to keep evolving. And this is definitely a point of evolution in every, every company, every leader has to be able to adapt to it, understand it and do the right things.

**Jacob 40:16**

Yep. You have a section in your book where you talk about leading through tough times. Can you share any stories about some of the tough times that you had to lead through and what you did to be able to get through those times?

**David 40:28**

Well, I'd have to say the toughest one was the, you know, the great recession of 2008-2009. And that was quite painful. And as I like to say about recessions, they're all slightly different. And every time we have one we think is the worst ever. And usually, we say that because we're in the middle of it then and it's quite painful. And I you know, you look at 2001 and it was the plane crash and oh my god, how unique is this. Now, we ended We end up with a great recession in the financial calamity. Oh my god, how unique is this? That we end up in COVID with a healthcare crisis? Oh my god, how unique is this? Yeah, you have to at some point say to yourself, Well, I guess there is an aspect of uniqueness to every recession you deal with.

**David 41:15**

That being said, they are all alike in that the actions you need to take in order to survive it. And the kind of leadership you need to provide are the same. That doesn't change over time. And I can also add, every recession sucks. And everybody needs to you need to know it as a leader is just right from the beginning. you're confronted with two options for everything one bad one less bad. And I used to tell folks all the time, when they say God, I'm working harder than ever and for all, unbelievably less rewarding time and all I could say is That's right. And that's why they call it a recession and they don't call it a party. It's Not fun. But if we do the right things in the middle of a tough time, that will cause us to come out a much stronger company than our competitors.

**David 42:11**

And the advice that I give to people is, one, don't panic, two make sure that you keep thinking independently, as we talked about before. Three, never forget to put your customer first, don't let customer service suffer in any way. And four is be thinking about the recovery, even while you're in the middle of the recession. Because when you're in the middle of recession, it's very easy to start thinking it's going to be like this forever. My life is horrible. The economy's horrible, nothing's ever going to be

good again. And this is one where I rely on history and say, Well, you know, when are the 240 years that we've been a country, despite every bad recession, we've had good times do come back. So how do you make sure you don't lose sight of that, and that you managed to think about, okay, how am I preparing for the recovery in this tough time.

**David** 43:07

And there's this old saying, I've always been fond of that says, when you're up to your butt alligators, it's tough to remember the original goal was to drain the swamp. So if you're a leader, you feel like you are covered in alligators. You've got 120 hours worth of work 80 hours to get it done. And you're sitting there going, Dave, I hear what you're saying. But for crying out loud, I'm just trying to survive right now. I don't have enough time to think about the recovery. And this is where I say, this is where good leaders separate from mediocre leaders. Because a good leader finds a way to take at least a couple hours a week to put their head above the fray and look around and say, okay, all these short term actions I'm taking, is it going to make a difference for where I'm trying to go for the long term? Is it consistent with what I'm trying to do and if it's not what do I do differently so that it will be? Those are the people who will do well going into the recovery and truly established themselves.

**Jacob** 44:09

Yeah, no I love that. So taking time to sort of look big picture sounds like is kind of the the idea there. Now, the title of your book is obviously all about succeeding in the short term while planning and also succeeding in the long run. And of course, there's a lot of criticism from just the public in general, that a lot of CEOs, a lot of business leaders tend to only just be obsessed with quarterly profits, quarterly numbers, financial metrics. Can you talk a little bit about why why that's the case? I mean, how can you succeed at both, you know, execute on the short run, but also think big picture, think about what's going to happen several years down the road?

**David** 44:51

Well, one of the reasons I wrote the book is to address the point you're bringing up which is a lot of leaders And a lot of the press a tee this up as a choice, you either have to be short term or you choose to be long term. And I always felt like the way we ran Honeywell was along this theme that success is about accomplishing two seemingly conflicting things at the same time. Do you want low inventory or great customer service? Do you want people who are closest to the action empowered for quick decisions? Or do you want good controls so nothing bad happens? Do you want good short term results? Or do you want good long term results? And once you start looking for it, you see this kind of principle everywhere.

**David** 45:40

So I figured you have to do both. And the reason you need to do both, is if you're not investing in the long term, eventually the long term becomes the short term and then you're out of gas, you've got nothing. You've got nothing that you've done, none of the seed planting that's going to allow you to be successful. The tougher one for people to understand is that performance in the short term, is a validation of is your long term plan any good? Does it make any sense at all? And if somebody says,

hey, yeah, it's, it's going to be a real problem for three years, but then it's going to be great. Neither your boss nor your investors are ever going to say, Oh, great, you know, we'll see you in three years. They've got to see something.

**David** 46:31

So you have to figure out how do you create those short term accomplishments that are consistent with where you're going for the long term. And that's why my whole point was, I needed to generate income flexibility, so that I could generate the returns that would satisfy investors and do better than my competitors. But at the same time, give me the flexibility to invest do the seed planting in the long run Turn. That's why I focus so much on growing sales and holding fixed costs constant, because that gave me all kinds of margin flexibility to accomplish both.

**Jacob** 47:11

So these are not opposing forces, you don't just have to pick one or the other.

**David** 47:16

I think it's a mistake if you pick one or the other. And I oftentimes said, one of the most deadly questions to respond to, is when an employee says something like, Hey, boss, which one do you want me to do? And the answer always has to be I expect you to do both. I want things right. And I want them fast. So I don't want it to be I have to choose between the two I want you to always find a way to accomplish both.

**Jacob** 47:47

Yeah, okay. Make sense. One of the sections in your book was titled, get and keep the right leaders but not too many of them. Which I thought was a very, very interesting section of the book. So can you talk a little bit about that? What do you mean when you say don't keep too many of them?

**David** 48:08

Well, let's start with what we were able to do at Honeywell, as you pointed out, we went from 20 billion in market cap to 120. We took our sales from about 22 to about 42. And when we started at 22, and were considered a lean company, Wall Street considered us a lean company. We had 740 of what we call leaders executive band and above

**Jacob** 48:34

And how many total employees?

**David** 48:37

That would have been out of 115,000.

**Jacob** 48:39

Wow, okay.

**David** 48:42

Yeah, 16 years later, we had a company that was 42 billion in sales. We had about 135,000 employees. And we only had 650 leaders. So at the same time, we doubled the company. You went up about 20%. In headcount, we actually reduced the number of leaders by 15%. And it didn't happen on one fell swoop, we just kind of did it steadily over time. But I felt it was important for two reasons.

**David 49:15**

The first one is they do add cost, the cost of leader cost of the staff getting an executive assistant, all that stuff does add cost. But that's the kind of visible and smaller cost. The biggest cost is that if you create a position for a leader and give them something good to do that looks like it makes a lot of sense. They will generate a lot of work. And all of it will sound good. All of it will involve all the other leaders. So what you end up with is a bunch of leaders working for each other very internally focused instead of focusing externally on what do you do, how do you do the right thing for the customer? What are the right things there? How do I just make my internal processes better? So I'm a big believer in have have fewer of them. And I really think that most large US companies would benefit from fewer leaders.

**Jacob 50:22**

Hmm. Okay, so it sounds like this was a very conscious decision, a conscious effort. And so this fewer leaders just mean that. Okay, so does each leader just have a bigger team? Are they just responsible for more people, cuz Some might say that's hard to do too.

**David 50:40**

I guess they would have a few more people but we were able to double the size of the company without adding that much when it came to employment because we were making our processes better. And you can tell with just the number of leaders and the size of the business It's not like we were super expanding spans of control. It wasn't anything crazy. We weren't saying, okay, you used to have eight direct reports. Now you have 25. We didn't do any of that, because I thought I'd seen that approach get gained too easily. I mean, a lot of those metrics, stuff like 50% of your sales have to come from products introduced in the last three years. Your spans of control have to go from 10 to 15. All those kinds of metrics are easily gamed by the organization.

**David 51:40**

And I'm fond to saying, you know, a lot of people say what gets measured gets done. What I'm fond to saying is, if you measure something, the metric will get better. Because organizations learn how to manipulate the metric. Unless you've got some way of auditing it. You've defined exactly what you're looking for. Organizations learn what I also refer to as compliance with words, as opposed to compliance with intent. And organizations are very good at complying with the words so that everybody's happy. The leader sees the metric improve, they feel good, because you know, they got something done. All the employees are happy because the boss is happy. They don't have to screw around with this thing anymore. And the reality of it is the customer whoever supposed to benefit from this is no better off than they were when they started.

**Jacob 52:36**

We only have a few minutes left. So I want to touch a few minutes on culture. And you had a great story in the book about how culture save you \$25 million. So first, they wanted you to talk about how do you define culture? And can you share the story of how it saved you \$25 million?

**David** 52:57

Yeah, I'd say one of the ways to define culture is kind of a take off on something that somebody else has said in the past, but it's how do people act when you're not looking? So I always felt like, there are 10s of thousands of decisions going on in the company every day that I have nothing to do with. And if people have a sense for, here's how I'm supposed to act in these kinds of situations, not that they know, okay, if this happens, that happens, I go do this. But do they know how to think about things so that you have more of a thinking company, then more of those decisions are going to break your way all the time and people will do the right thing for the customer for the company. Just because they know that's what you're looking for. And that's how I guess might be an easy way to define culture is just think about it is how do people act when you're not measuring them, not looking at But they, you know, they, they know what it is to do.

**David** 54:04

And I'd say the saving the 25 million, this is a good example I'd say of my own self awareness. That was helpful. Not that I'm always good at self awareness. But certainly in this case I was and what I did to kind of change my own approach to things. And this is an important part of our culture was people being self aware of their impact on others and kind of their own issues. And most people would say I'm decisive. Well, most people would also say, if you're a leader, decisiveness is a great thing. Well, yes and no.

**David** 54:47

If you're dealing with little stuff, yeah, decide it, move on. Don't get caught up with it. If you're dealing with big stuff that has irreversible consequences, you want to take your time, take as much time as you're allowed, being decisive can actually hurt you. And in this case, we were looking at the sale of a business. And we went through the whole thing. And it was it was a business losing money that we were going to lose money on the sale also, so was something that I just needed to have out of the portfolio because it was never gonna help our stock price. And it was difficult to sell. So we went through everything, and I needed to make a decision by like, Friday.

**David** 55:33

So this was on the Tuesday, we went through the whole thing. And I said, Okay, we'll proceed. But this is a preliminary decision. And this is one where I had to control myself again, because something I had to learn to say make a preliminary decision, allow people including me to ruminate over it. Then get back together on the final day and decide. I said, Okay, we'll make a final decision on Friday. It when we need to, and I was going to be in China or so I was going to have to do it late at night on a teleconference call. So we get to Friday. And I said, All right, let's go through the whole thing again. And of course, there's objections on the phone like wait a minute, but we just went all over this stuff. Yeah, no, I know. But this is part of mine learning is we need to do this just to make sure we're making the right decision. So we go through the whole thing.

**David 56:25**

And come to find out the way the finance guys looked at something, they thought they were being clear. They were not. And what we all thought was going to be a 50 million loss on sale was going to be a \$75 million loss on sale. At which point I said, Wait a minute, okay. I never understood this before and come to find out neither nobody else around the table did. Of course, the finance guys were upset feeling like we were calling them liars we're saying no, you just look at the world differently than we do. So. You segment it this little thinking it's obvious to everybody and it's not. And I said, Okay, this is worse than I thought, we're not going to do this deal. And lots of pushback from around the table that No, just get it done. And I said, No, not not going to do it. This is too big a loss. I'm not going to do it.

**David 57:18**

Well, four months later or so, that same buyer came back and did do the deal with us. And based on what it was we had originally expected as a loss. So because I was willing to kind of put myself and everybody else through that additional work, which was a focus of our culture and important part of my own self awareness. Four months, we made 25 million bucks, which is not a not a bad way to spend your time.

**Jacob 57:48**

No, no, not at all. A very last question for you before we wrap up and ask you where people can go can go grab your book. If you were to think back during the course of your Career or your life? What one moment do you think most shaped either your career or your approach to leadership? Was there a specific thing that you can think of?

**David 58:20**

I can't say that it was any particular leadership lesson. I would say, if I had to pick one, I'd probably say it's when I was fired by Jack Welch from GE. Because that whole time I always said they did a great job of teaching everybody there. You never want to leave because it's cold outside. All the best people in the world come here. All the people who couldn't make it here are at those other companies. So you don't want to go there and I always thought that was a really strong part of the culture that kind of kept it together as people didn't want to leave.

**David 59:04**

Well, all of a sudden I was confronted with having to go. And I was offered the opportunity to stay in a lesser job. And I took that though as a time to say, Okay, I'm finally this gives me the opportunity to find out Can I do it or not? So I'm gonna go after this thing hammer and Tong to figure out, can I and I would say being fired was a turning point for me. And that's why I always tell people when you know, a bad thing happens in their career. This doesn't mean it ends. This just means you got hit, and you gotta stand up and run again. Just make sure you're running in the right direction.

**Jacob 59:46**

Yeah, and being fired by Jack Welch is a cool story for sure.

**David 59:52**

Well, it was really weird, cuz, you know, I had to go to his office for dinner. I mean, first words out of his mouth are Dave, I want you out of the company by year end, and this is June of 99. And I said, Okay, well, what did you see that you didn't like or didn't see that you wish you had? And his voice just got even higher. And he said, You don't understand I want you out of the company by year end. I said, No, I understand, I'm a big boy. But I think I'm better than you think I am. And if there's something I need to address it like know what it is. And his voice elevated again, and he just said, You don't understand you have to be out of the company by year end. I said all right. All right. I got it. He said, I'll be helpful to you as I can, which was nice. But you're on with a company by year Okay. So I did. I never did find out by the way.

**Jacob** 1:00:49

Interesting. Man. You have see if you write another book, it should just be like a memoir of personal stories because you have so many think they can make a movie about your your experiences and all the stuff that you've gone through. I mean, it's it's really amazing and fascinating. I wish we could talk for another hour.

**David** 1:01:13

Glad it's interesting. Some of it was fun. Some of it was painful. I can tell you that.

**Jacob** 1:01:18

Yeah, but I mean, you know, I mean, these experiences of just interacting with Jack Walsh working there. Honeywell and the situation you were brought into, you know, your childhood, how you grew up when you were younger. I mean, it's just, it's, it almost reads like a hero's journey, just going through a bunch of different you know, different challenges, which is fantastic and really, really amazing.

**David** 1:01:43

Thank you, Jacob. I do appreciate it. I hope that interesting for everybody.

**Jacob** 1:01:50

Yeah, look, I've interviewed probably 500- 600 people on this podcast and I got to say, you know, not everybody has a really fascinating and interesting story, and part at least, what intrigues me He isn't just you know, the present day business aspect of a leader, but it's also how they got to where they are what shaped them as a human being as a leader. And I think you have a lot of really cool things to share there. So thank you for that. Where can people go to learn more about you? And where can people go to grab this book, anything that you want to mention for people to check out, please feel free to do so.

**David** 1:02:25

A sure I've got a LinkedIn site. For the first time in my life. I'm on social media as you might imagine, as a CEO, I did everything I could to avoid it.

**Jacob** 1:02:37

Welcome to the dark side

**David** 1:02:40

Once we had this book, it seemed a good thing to do. So there's regular postings there that's worth looking at. And of course, the book should be at any bookseller, Barnes, noble Amazon, etc. So you can find it online very easily.

**Jacob** 1:02:57

Very cool. Well, David, thank you so much for taking time out of your day to speak with me. I really appreciate it.

**David** 1:03:03

Well you made it fun, Jacob, thanks.

**Jacob** 1:03:06

Oh, my pleasure. And thanks everyone for tuning in my guest again, David Cote. Last name is C-o-t-e if you're looking for his book on Amazon, and the book is called winning now and winning later. Thank you everybody for joining me and I will see you next time.

**David** 1:03:22

See ya.