

Leadership in government: An interview with Robert E. Rubin

Tony Danker and Nancy Killefer

As the productivity imperative grows more acute, perhaps the most critically required resource of all is leadership. Government leaders, whether they are politicians or senior civil servants, are rarely showered with praise. Yet the challenges they face — managing thousands of employees, directing the wider system of agencies that deliver frontline services, and persuading an often skeptical public about the merits of an agenda — are as exacting as in any business, and probably more so. Indeed, according to 50 top government officials and representatives we have spoken to recently, taking on these challenges has required a step change in their capabilities far greater than they had previously encountered.¹

Few are as well placed to advise on public or private leadership as Bob Rubin, former US treasury secretary in the Clinton administration, co-senior partner at Goldman Sachs, and now chairman of the executive committee at Citigroup. Highly regarded across the political divide for his role during a volatile period in international finance, Rubin played a pivotal part in, among other things, balancing the federal budget, opening US trade policy to further globalization, acting to stem financial crises in East Asia, Mexico, and Russia, and guiding reforms at the US Internal Revenue Service. He directed the newly created National Economic

Council at the White House and then at Treasury, led a department of 14 agencies and 160,000 employees.

Rubin is somewhat reluctant to provide advice. The challenges, after all, are so dependent on the job you are asked to do and the starting point you come from. The context, too, is different from country to country: Rubin was a politically appointed Cabinet Secretary, in a federal system, with a strong separation between executive and legislature. Yet the lessons he draws from his time in Washington are applicable to new government leaders across the globe.

¹ This interview is one of a series conducted in several countries as part of a long-term research effort by McKinsey into leadership in the public sector. We will publish periodic findings from this research as well as specific interviews throughout 2007 and beyond.

McKinsey: How would you advise new government leaders to think about their leadership style?

Bob Rubin: Be yourself. I have found in my life the only thing that I can be is me. Ed Muskie told me in 1972, after he lost the presidential race that “the worst mistake I made in this campaign was trying to be somebody I wasn’t.” You can have very different people with very different styles and very different approaches, leading in very different ways and getting very good results. Then you can have somebody try to use somebody else’s style and get very bad results.

I tried to get the best, smartest people around me that I could get. We would get the right people in the room and we would sit and try to understand the question, try to find the best approaches to the answer and then ultimately we [Rubin and his leadership team] took responsibility for making decisions. If you would’ve sat with us at Goldman Sachs, you would’ve seen a process that was really no different than the one you saw at Treasury.

McKinsey: But doesn’t the transition from private to public sector require a different approach?

Bob Rubin: Many people I’ve known in the private sector would probably not like being in the public sector. The similarity is all the stuff about working with people and managing something. The fundamentals are to get the right person in the right place, have a strategy, and so forth, and you can bring the experience you have in so many different ways. But the other side of the coin is, most people I’ve known in the private sector are just much too accustomed to linear processes where they’re clear decision

ROBERT E. RUBIN

Vital statistics

Born August 29, 1938, in New York City.
Married with 2 sons.

Education

Graduated summa cum laude from Harvard College in 1960 with an AB in economics.

Received an LLB from Yale Law School in 1964 and attended the London School of Economics.

Career highlights

Present director and chairman of the Executive Committee of Citigroup Inc. Joined Citigroup in 1999.

Served as 70th secretary of the treasury of the United States Federal Government, 1995–99.

Served in the White House as assistant to President Clinton for economic policy, directing the activities of the newly created National Economic Council (NEC), 1993–95.

Goldman, Sachs & Company in New York City. Joined in 1966 as an associate and rose to become co-senior partner and co-chairman, 1990–92.

Fast facts

Author of *In An Uncertain World: Tough Choices from Wall Street to Washington* (Random House, 2003, with Jacob Weisberg), a *New York Times* bestseller and one of *Business Week*’s 10 best business books of the year.

Serves as chairman of the board of the Local Initiatives Support Corporation (LISC), the nation’s leading community development support organization; on the board of trustees of Mount Sinai–NYU Health; member of the Harvard Corporation; vice chairman of the Council on Foreign Relations and member of the advisory board of Insight Venture Partners, a New York–based private-equity investment firm that specializes in e-commerce business-to-business companies.



makers and they make a decision and things more or less then happen. In government, the decisions you make very often are much less direct in their effect. Somebody once asked me “how much did you contribute to that decision?” It was a big decision. I don’t actually recall which one it was. I said honestly I had no way of knowing whether my contribution had a 51 percent effect or a 1 percent effect. I have no idea why the President ultimately decided what he decided. All I know is I did everything I could do.

McKinsey: What are the critical differences in the public sector?

Bob Rubin: At Goldman Sachs if we wanted to accomplish transformative change — and we did — we’d get the right people in the room. We’d go over the whole thing and then we’d make a decision. Once we made a decision, the fact that most of the people were involved in it meant most of them bought into it. Frankly, if there were people who weren’t bought into it, weren’t right for the decision, they had the opportunity to go work someplace else. In government, you can’t do it that way. You’ve got to have concurrence. There’s a whole bunch of constituencies you’ve got to get: the White House, the agency, the right committees of Congress and so on.

McKinsey: So how did you manage your own transition when you first arrived in Washington?

Bob Rubin: I took a yellow pad and spent about three to four days wandering around Washington talking to all these different people who had done White House jobs and I learned a ton. When we set up this new NEC, or I should say President Clinton did, again we sat

down with a yellow pad to figure out what you needed to make that work — we needed a game plan. As for the different constituencies, I thought of them all as being clients.

McKinsey: How did you learn the essentials of managing the politics and media side to the role?

Bob Rubin: I was advised that when you assemble your first people, make sure that one of those is very, very savvy politically and can enable you to figure out what you have to do to protect yourself and to function effectively in that political environment. Then, you've got to figure that pretty much everything that's consequential is going to be discussed and analyzed and maybe criticized or distorted — at least in your view — by people in the media. So you should also have somebody who really is media savvy and it may be in fact the same person, but somebody who really can help you think about how to frame everything or how to handle all of your relations with the media.

McKinsey: So how do you integrate the political demands of the environment into the way you make decisions?

Bob Rubin: President Clinton said one of the mistakes we made in '93 with our deficit reduction program was that we had this very effective, substantive process but we didn't integrate the political and media people until the very end. What we should've done is make them an integral part of the process all along. Not because you want to get driven by polls or because you want to do what was going to work best politically but because once you decide on a substantive basis what you want to do, then you want to have people there who can tell you

— well, if you frame it this way you have a much better chance of being successful; or you want to do these eight things but two of them are going to completely undermine everything. Had we had that kind of integration earlier on, I think we probably would've discussed and described what we were doing in somewhat different ways.

McKinsey: How do you reconcile doing what you believe in while doing what's politically possible?

Bob Rubin: When you arrive there is tremendous pressure to find your footing politically, and clearly you don't want to be seen as inept. But I think trying to be political is the wrong thing to do. I think the right thing to do is find your footing substantively and know who you are substantively. Because then you're grounded in what you believe in and you're much more strongly positioned to deal with all the pressures.

McKinsey: Can you give an example?

Bob Rubin: To get where we wanted on the deficit, we needed an income tax increase — in this case, on the top 1–2 percent of incomes — and a small increase in gas tax. Every poll told us that that was something people didn't want to hear and I think we paid a price for it and could've done it more skillfully. We'd kept the political people involved in framing it. If we'd allowed them to determine the decision, however, we might not have had tax measures and probably couldn't have put together an effective program. I think you need to think of ways to try to be honest about things, speak honestly about things that people don't want to hear honest comments about. At the same time, you don't want to be suicidal.



McKinsey: Many outsiders see politics as a field where success means winning. What's the role of compromise?

Bob Rubin: You have to make some compromises as we did in '97 for the deficit. We had to make a compromise by lowering capital gains taxes, which all of us thought was substantively not a good thing to do. You do it because you're doing it for the greater purpose of getting done what you want. You know where you stand and I think that's very important, not only in an obvious substantive sense but I think in terms of maintaining your balance and being effective.

McKinsey: Still, you took some big risks in your time in office. The management reforms at IRS you oversaw met organizational and political resistance.



Bob Rubin: [A senior figure in Washington] came over to me in the Treasury one day and said, "Why don't you just give up this IRS thing? Why do you need this? It's just creating trouble for you." But I think if you're going to take one of these jobs, I think you have to go into it knowing that anything meaningful that you do — if you're really trying to ground yourself in your own substantive views — will probably involve a fair bit of political risk. You have to be able to accept that and then try to manage it as best you can. When you think about the stuff that we did, there's nothing important that I can think of, off hand, that we did that I was involved with that didn't take real risks.

McKinsey: What kind of mindset do you need to take big risks in the face of resistance and attention?

Bob Rubin: I think the people whose identities and psyches are terribly caught up in how they're treated in the press and by other people, have a mindset that generally won't lead to doing what is needed. You need to be able to shrug your shoulders: to become a little bit existential in outlook. A lot of people who have observed our political system for a long time feel that media sensationalism, ad hominem attack, the tendency to convert policy issues into personal attacks has gotten worse and worse as time goes on.

McKinsey: Looking forward, what do you see as the critical challenges for the federal government?

Bob Rubin: If I went back to Washington (and I don't intend to) from day one I would say to myself "I'm going to pursue institutional change and I'm going to make it one of my high priorities and make everyone in the building know it's one of my high priorities. We're going to spend a lot of political capital on it, which is capital you're taking away from something else." The reality is if you're a cabinet secretary, pretty much all the pressures you feel and the ways you're evaluated relate to the policy issues that confront you. There is no real constituency that's driving institutional change. Yet, it is immensely important.

McKinsey: How can an administration really drive forward an agenda of institutional change?

Bob Rubin: If an administration really wants to commit itself to serious change in the way government functions, it's really got to be a priority on day one because by the time you've been there a while you're going to be so consumed by everything else going on around you. At the very beginning of the transition I'd get a few people together who I thought were really thoughtful about the functioning of government. They would sit down and find some very big objectives with respect to changing the way government works. Then I'd develop a small task force to set up a very practical plan. It also needs people with a lot of managerial experience involved in running the departments with the largest managerial challenges.

McKinsey: Do you think transforming the federal government will ever be that high on the agenda?

Bob Rubin: I think a lot of people really do feel that this has become a bit of a national imperative.

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