

Claremont McKenna College Commencement Speech
Henry Kravis '67
May 15, 2010

Thank you. Ladies and gentlemen, distinguished guests, I am deeply honored and thrilled to be here to share with you, the graduating class of 2010, your parents, relatives and friends, this very special day. Congratulations for choosing and graduating from one of the finest colleges in the country!

As I reflect upon my own graduation in 1967, I assure you that I never thought that some day I might return to Claremont, stand before a graduating class and give the commencement address.

I had been a good but not a perfect student. I achieved reasonably good grades but the library did not monopolize my free time. I played competitive golf on the college team, and I was often at the beach or dancing to the music of the Beach Boys. I led what I called a “balanced” life. At times, my professors and parents held a different definition of balance but.....you get the picture!

Today, I return to CMC as someone whose deep attachment to the school has made me an assiduous visitor and supporter. I value the

school's liberal arts curriculum and its small size which allows for close interaction between students and teachers. I am happy to see CMC's student body becoming more international and diverse, and I feel fortunate to be in a position to support many of the school's initiatives, such as the Kravis Leadership Center, the Kravis Leadership Prize and the new Education building. CMC will always be home for me and, in the words of Bob Dylan, part of a never ending tour.

I mention Bob Dylan, not only because I love his music but also because he symbolizes the counter-culture and social effervescence which prevailed in the sixties when I was a college student. It was a decade of tumultuous social, political, economic and cultural change. We were in the midst of the Cold War and the Cuban missile crisis very nearly upended the fragile nuclear standoff between the United States and the Soviet Union. The Vietnam war raged. China detonated its first atomic bomb and pursued a cultural revolution, that sent many intellectuals and suspected dissidents to farms, labor camps or death. Many African countries fought wars of independence against colonial powers. The Arab-Israeli conflict escalated into the 6-day War which set boundaries that are disputed to this day.

The success of the Soviet Sputnik program triggered America's quest for the moon, leading to the Apollo 11 moon landing in 1969. At home, anti-war protests, civil rights movements and race riots dominated our internal discourse. Feminism flourished, and the advent of oral contraceptives further advanced women's liberation. Motown, the Beach Boys, Jefferson Airplane, the Beatles and the Rolling Stones, all products of the sixties. Jasper Johns, Cy Twombly, Bob Rauschenberg - three boys from the South - began to transform art in America. Great society programs and a general mood of experimentation defined public policy. Political violence also scarred the land as John F. Kennedy, Martin Luther King, Jr. and Robert Kennedy were lost to America. All this marked the turbulent decade of my youth.

Rather than frighten me, the change invigorated me. I saw the opportunities that change afforded. I welcomed the open-mindedness that change demanded. I recognized the flexibility that change required. I understood that these rapid and disruptive changes could help me look at who I *was* and who I *should* become. For me, change gave birth to a personal challenge. Today's change, although very different, more rapid and more global, calls you to nothing less.

Let me share with you and, especially the graduates, some thoughts that might help you answer that call, by drawing upon what I have learned from my parents over the years growing up in Tulsa, from my schools, from my career and from my family.

Lesson One: Believe in what you do.

Whether you choose the arts, science, public service, business, sports, full-time parenting, anything, do it because you believe in the intrinsic value of what you are doing. Do it because you are passionate about it. To this point, there is no more inspiring example than the young men and women, many not much older than you, fighting in Afghanistan and Iraq for our freedom. They clearly believe in what they are doing. Your choices should not be dictated by the hope of material gain or recognition. In the current economy, this may seem idealistic and impractical because most of you do need to earn a living, reimburse student loans or help your families. In this labor market, you might not find the ideal job immediately but the important thing is to get started without losing sight of your longer term goals. Your first job may not be the ideal job, but you never know where it will lead, whom you may meet, or what opportunities it may afford. Whatever job you take, be the best at what you do. Take away from it

useful experiences. Learn from your successes and failures. Belief and persistence are not the same as dogma and stubbornness. Accept that you might have been wrong and adapt, but do not lose sight of your principles and fundamental beliefs. Believe me, there is no job too menial.

My first summer job after my freshman year at Claremont McKenna College was on Wall Street, as a “runner”; someone who delivered stock certificates, a messenger. I knew that if I excelled at that job I would move up the ladder the following summer, and I did. Later in life, when George Roberts, another CMC graduate, and I, along with Jerome Kohlberg, decided to form KKR, we believed that we could use debt financing and equity to acquire under performing companies, and change and improve the way they were managed. We wanted to put them on a strong financial footing, stabilize and grow employment, improve the operational efficiency, and hence, improve the value of the asset. We were “pushing beyond the obvious”, and getting started was not simple, but we persisted, because we believed in our objectives.

Second lesson: Learn constantly

Graduation is not a destination. It is a stepping stone in a life-long learning process. This knowledge-based world will always present you with

an unexpected stream of new challenges and circumstances. We cannot predict them. We cannot name them. The Black Swan appears and our habits are toppled. Be prepared for change and learn from it. Listen. Broaden your horizons. Try to learn another language. Explore other fields of knowledge, other cultures. Ask questions. “There are no stupid questions”. Simple queries of uninhibited young children often elicit the most profound thoughts about things we either took for granted or overlooked.

It was Alexander Pope who said “A little knowledge is a dangerous thing; Drink deep, or taste not the Pierian spring”. So, dig deeply. Question underlying assumptions. Consider different and contrarian perspectives. Understand how conclusions were derived. A Google search does not suffice, nor does a superficial survey of a few friends. When I interview job candidates, I probe their interests beyond business to understand the depth of their intellectual curiosity. Grades will reveal candidates’ proficiency in their subject matter but a broad set of interests and a mind open to new ideas and knowledge is what will set them apart from the pack. Someone who will think differently and be creative in their

approach. Someone who will “think out of the box”. Someone who has enormous curiosity.

For myself, some of the most stimulating projects at KKR are those that present me with new learning opportunities. For example, recently we partnered with the Environmental Defense Fund to help KKR improve energy and environmental efficiency in our portfolio companies. It has been tremendously rewarding for me to deepen my knowledge of environmental issues and to focus on solutions to current challenges. In the non-profit field my involvement as vice-chairman of Rockefeller University, has exposed me to a fascinatingly complex world of science and medical research, something totally different than what I do in my daily job. I know that the more you learn, the more you learn. Learning is truly a life long experience and it is enriched if you endeavor to depart from your comfort zone and constantly challenge conventional wisdom.

That is my Lesson Three: Challenge conventional wisdom

If something is repeated often enough, it more often than not becomes an accepted truth. Especially if the statement carries one or two decimals. But ask yourselves: Would people be ordering iPads if Steve Jobs had subscribed to the conventional view of the worldwide web where

everything was free and all systems were open? Learn to think for yourself. Check and double check sources and understand how data were compiled. Take unemployment for example. Does it make a difference if a drop in unemployment rates is caused by job creation? Or if it reflects the shrinkage of the labor force caused by discouraged workers who have stopped looking for work? Of course, it does. What about the energy debate. The US produces 3% of the world's energy but consumes 22-25% of the world's energy. Does it matter that indeed the US does consume 22-25% of the world's energy but produces 22-25% of world GDP. This puts things in a different context, does it not?

In this world of blogs, viral marketing and lax editing standards, learn to ask questions and to understand underlying assumptions, intentions and conflicts of interest. Learn to dissect and interpret information. Know what you don't know. Which leads me to another critical lesson.

Lesson Four: Arrogance kills

Many times, success and talent breed a superiority complex that quickly leads at best to complacency and at worst to arrogance. There is a saying that goes "one who sits on one's laurels has them in the wrong place". How many companies have disappeared because they became

arrogant and failed to remain open-minded and connected to their markets? Sears let Walmart supplant them. Sony, the master of the Walkman, let Apple conquer the market of mobile devices. Earlier, our steel industry neglected to adjust to world competition, and no industry was more complacent than the auto industry who thought Detroit would forever rule the day. You are at your most vulnerable when you begin to think you are invincible and accountable to no one. Success can distort people and companies alike. We can lose sight of the fact that success ultimately depends upon how well we have cared and nurtured whatever has been entrusted to us. There are far too many examples of institutions, companies and executives who have forgotten this rule, strayed from the interests of their shareholders, customers and other stakeholders

Be alert to change that is meaningful and purposeful, not simply change for the sake of change. Not gimmicks but real change. Be more attentive to bad news than to compliments. Beware of the “not invented here” syndrome. You are not the only one with good ideas. Arrogance kills!!! As you embrace change, know that there are some absolutes. One thing will never change: there is no meaningful success without integrity.

Which brings me to,

Lesson Five: Honesty, loyalty, quality are absolutes

It is not possible to be dishonest with colleagues, partners, shareholders, customers, family, whomever, and to be honest with yourself. It is not possible to be dishonest with yourself and, at the same time, be genuine in your relationships, or at work, or with your friends. Remember that in order to have *professional* integrity, you must begin with *personal* integrity. You cannot get away with the idea “our product has fewer defects than the competitors’ or our service is not as bad as others”. Nor can you tell yourself “I cheat on my taxes less than most people”. There is no room for relativism when you are striving for authenticity, honesty and loyalty. These are absolutes and trust me, they will make your lives simpler and carry their own rewards. Speaking of rewards, aside from family, giving back to society is probably one of life’s great gratifications.

Lesson Six: Give something of Yourself to Others

Ralph Waldo Emerson once wrote: “It is one of the most beautiful compensations of this life that no man can sincerely try to help another without helping himself”.

Trust me, there is nothing more fulfilling or soothing than giving back to others whether with time, ideas, moral support or financial assistance.

Teaching a disadvantaged child to read, helping an elderly person cross the street, making the arts and education available to a wider public, providing resources for a scientist to pursue a remedy for disease, mentoring troubled teenagers, cleaning a park - in short, just giving something of yourself will make your lives whole and richer.

In “The Little Prince” the fox says “It is only with the heart that one can see rightly. What is essential is invisible to the eye”. Let that be your guide. When you volunteer to help others - and I know that many of you do - you are sharing your own sense of personal worth and your values with someone else. You are “seeing rightly with the heart”. Many such actions go unnoticed by a broad public but they enhance the quality of our lives together. Let giving be its own reward because, believe me, it is an amazingly powerful reward.

Throughout your lives, you will be given many opportunities to give back. You will also be given the responsibility to shape society. Think about that. You are living in a world where the scope, breadth and depth of change are both exciting and perplexing. Where medical science opens the door to longer life, but, at the same time, raises troubling ethical issues. Where globalization paves the way for higher living standards for billions of

people and the freer movement of goods, people and ideas, but also causes job losses, displacements and resource stress. Where the promise of biology and nanotechnology brighten our future but where pandemics and terrorism are now household words. Where the Internet transforms private life into shared experiences but invades privacy and provides an unwelcome platform for narcissism and self-indulgence. This dichotomy, so characteristic of our changing world can be very unsettling. And...we know that the future will most certainly outstrip our imaginations.

Today, I see before me a graduating class drawn from scores of countries and states, from diverse backgrounds, cultures and beliefs. You will find your own personal and shared approaches to our changing world. Each one of you can and must make a difference in his or her own unique way.

I am convinced you will do so. I also firmly trust that if you believe in what you do, learn constantly, combat arrogance, embrace purposeful change, and give back, always with integrity and loyalty your world will be a better place.

There is some debate whether it was Mark Twain or Satchel Paige who said "Always work like you don't need the money. Always fall in love

like you've never been hurt. Always dance like nobody is watching. And
always – always, live like it is heaven on earth”

Thank you. Good luck. Godspeed.