

**Alexandra Jankovich:** Welcome, Nancy. Great to speak to you.

**Nancy McKinstry:** It's my pleasure. Thank you.

**Alexandra Jankovich:** In your 18 years as CEO of Wolters Kluwer, you transformed the company from a print publisher to an electronics service provider. A true digital transformation. You are listed among the best CEOs in the world. And you ten-folded the stock price from ten to over a hundred dollars in your time. According to various prestigious lists, Wolters Kluwer is leading in diversity, and you launched an ambitious sustainability program. These are all main topics of our time, and they all require transformations. I would like to talk to you about some highlights of these transformations as an inspiration for other change leaders who are in a different phase of their journey.

Let's dive right into the first topic, a very important one, which is diversity – your transformation into diversity leader. My first question would be: How would you define diversity?

**Nancy McKinstry:** For us at Wolters Kluwer, it really means having a diverse population of employees... not just around gender diversity, which I think is more how people see the word... but really around nationality diversity, ethnic diversity, racial diversity so we try and have more or less a melting pot of people come together and part of that happened organically in the sense that we have 220-plus offices around the world. We are very local in many of our markets so those businesses are run by local nationals and so we always had a very broad representation sort of from a global perspective. I think on the gender side, really in the beginning it happened very organically, where we needed so much new talent in the business to get the transformation moving that we just started to hire different kinds of people a lot of technical skills, and as a result of that – it sort of acted a bit as a catalyst – to then starting to see the pipeline fill of diversity. And my strong belief is that in order to get diverse talent at the top of an organisation, you have to have a strong pipeline. So, we really started to focus very much on the middle management in the company, making sure that was very diverse such that as a result and when promotions emerged, we now have sort of a 50% female representation at many levels. A little tougher in tech. I have to say that is where we have under 50%, it is an area we are working on but in general we have a fairly broad, diverse population.

**Alexandra Jankovich:** Exactly. And why do you think it is so important, diversity?

**Nancy McKinstry:** Again, this was really my own experience. During the transformation, particularly in the early years, the most diverse teams were the most creative and innovative and had the best results on almost every dimension. Not just financial results, but customer feedback was very high, employee engagement too, so all the elements that you measure a business around diversity was highly correlated with that. So, it made a lot of business sense to just continue to strive for diversity. And what we found is over time, it really is this flywheel meaning that it starts to promote itself, where people get attracted to Wolters Kluwer, because it is diverse, and they can see the opportunities for themselves. You have to pay

attention to it, but it really starts to take off once you get a critical mass of diversity. And again, not just gender diversity but also ethnic diversity, racial diversity etcetera.

**Alexandra Jankovich:** I think you also said in an interview that besides the teams scoring better results, it also represents your customers, so in that sense it is also very logical.

**Nancy McKinstry:** Yes, in fact, if you look at particularly legal and health and tax there is a fair amount of female representation in all of those professions. It is less so in financial services, so often you are sitting across the table from people that have shared common characteristics with our employees. Again, it sort of perpetuates itself as you really get to that critical mass.

**Alexandra Jankovich:** Yes, well, that's really good to hear. Then, to take the step from diversity and inclusion to the digital transformation, where you have the unique experience of an 18-year digital transformation time. I wanted to start at the basics – because maybe for those who don't know what Wolters Kluwer does: Who are your customers and what are their needs because I know you are always very customer-focused.

**Nancy McKinstry:** Yes, so our customers are professionals in health, tax, legal, financial services. And the common kind of component, because obviously they have different functions, but the common issues or challenges that they face really have been consistent over the last 18 years. They have become more accelerated, but really consistent. And the first is that they really struggle to keep up to date with new developments. And so, the amount of information is just overwhelming at this point, and they need help kind of separating what is important from what is not important. They need help to comply with the rules and regulations and that is our area of expertise. So, if you go back in the history of the business from the 1800s to today... what we have always been known for is our expertise and our ability to curate vast and complex information and make it digestible for our customers. So that is the core challenge that they face. The second core challenge, I would say really emerged in the 18 years I have been the CEO, is around the need to do more with fewer resources. I think that is something every executive and businessperson can relate to. So that focus on productivity became really pronounced as the internet took hold. So, if you look today, our focus on expert solutions these solutions are really productivity tools. So, we kind of got to this place very much in part from our customers. So, our customers perform mission-critical work in their various areas, and we assist them in that with information and with tools.

**Alexandra Jankovich:** And could you give an example, for example in the health area? For a doctor, what do you provide?

**Nancy McKinstry:** One of our core flagship brands is a product called UpToDate. UpToDate is used by over 1.3 million healthcare providers around the world. And it is a clinical decision support tool, so it is obviously digital... available online, on your phone, everywhere and it helps the doctor or nurse to very quickly look up a patient's symptoms, an issue that the patient brings for them, and it quickly helps them

figure out what the diagnosis might be and then how to treat it. So, we have documented and proven that hospitals that use UpToDate have better patient outcomes than those that do not. If you look at the usage statistics – many of our customers use it 20 to 30 times a day – so pretty much with every patient encounter. They look up something as simple as a drug dose. They want to write a prescription and have to know the dosage. They look it up based on the patient's characteristics, for example. This helps them get to the right diagnosis and the right treatment.

**Alexandra Jankovich:** Yes, I can imagine that becomes even much more important these days. And if we talk about the transformation journey, could you point out whether you have to divide it in different phases? What would they be?

**Nancy McKinstry:** At Wolters Kluwer, we have a rolling three-year plan. And we do that as a way to constantly keep everyone focused on the key priorities. So, if I take the first six to say ten years, particularly the first six years that was really the period of major transformation. And when I came on board as CEO, I would say we had a burning platform at Wolters Kluwer. You know, the company was not growing, it was struggling financially, and it was because we had been late to the internet. As a result of that we had to move quickly. Otherwise, I think there was a real question in many people's minds about could we have stayed independent if we did not successfully transform?

So, in the first two plans, so six years, what did we do? We did three things that in hindsight have turned out to be absolutely critical. The first was to make many portfolio changes. The prior strategy had been an acquisition-led strategy. So, we had acquired probably 300 businesses over, say, 20 years and a lot of the businesses were not core. So, we shed a lot of assets. We also bought assets that represented the future, digital assets to strengthen our core positions, so that those portfolio changes were absolutely essential to creating the market positions we have today.

The second critical factor was reinvestment. We did not have a track record of product innovation. We had again mostly acquired our innovation and we really had to reinvest in the core. So, we started a plan, which we still deploy today, of reinvesting 8 to 10% of our revenues back in new and enhanced products. And that is sort of sacrosanct at the company. We have held that investment even during periods like the global financial crisis or the pandemic, because we recognize how critical it is to have that continuous stream of new and enhanced products. So that was priority two.

The third area that was very critical was talent. At the time, we did not have a lot of digital skills and technology skills. It is interesting today our largest group of employees are technical people. Back in 2003, we had very few, so that talent transformation was also critical. That was really sort of the first two plans, so six years what I would call very heavy lift, in the sense that it required a lot of hard work on everybody's part to get the transformation happening. And then sort of the second phase was really around solidifying the product quality and beginning the transformation around expert solutions. So, we had to become not

just a digital provider but a provider of the best digital products, so today we have the best products in the market. We measure net promotor scores, which is a way to judge if your customers are really satisfied with your products, and we set out a goal that would have very high net promotor scores, relative to competition. So that second phase was around high-quality digital products beginning to build out the expert solutions that our customers need in the marketplace. And then really kind of professionalizing our sales in marketing. We had been a very product-centric company. We obviously had sales and marketing efforts, but it was not at the level it needed to be in order to get us fit for the future. So that was the second phase and now the company has never been in better shape than it is today. And today it is all about accelerating the growth of expert solutions driving cloud adoption and again driving a lot more around digital marketing because that really represents the future of how we interact with our customers.

I would say the first six to ten years were the toughest, right. Because when you start a transformation, what our experience was, and I think it is pretty common is, there is a lot of disbelief in the beginning. People do not see the results, and this was true for years, because of recurring models, so you do not often see it in the financial results that it is succeeding. So, it really requires this incredibly strong commitment on the part of the team to believe in what we are doing, even when it is hard for others to see it is working. So, I was very fortunate to work with a group of people that have that belief. And we sort of stuck with it. and then obviously over time you begin to see, yes, it is working. So, the first few years are the toughest because you do not yet see the success in the financial results.

**Alexandra Jankovich:** Exactly, and to deep dive a bit in that period... and to start with your last comment on you were lucky enough to have a team. I am not sure you were only lucky. I am sure something else happened. I am really interested: How did you get everyone along? How did you get the shareholders along, while, as you said, the financial results were pretty flat for six to ten years and you invested an enormous amount of money? So how did you keep everyone on board?

**Nancy McKinstry:** Yes, it required a huge amount of work, again, to make that happen and it starts with being very clear on where you are going with the business. People, not just shareholders, but employees and customers must know where you take the business. We spent a lot of time developing the strategy, making it extremely clear to people setting expectations, that was a big part of any transformation. You have to be clear on where you are going, what you will do to get there and how long it is going to take to get there. And then, of course, on the benefits, not just for shareholders, but customers and employees. So, it took a lot of effort to continue that very clear communication, around the direction we were going and then create alignment with the teams. So, we created incentives that employees received based on achieving the results and were very clear on the priorities. So, I would say the strategy is critical, execution of course is everything because without execution you do not get results. But having that very simple strategy with clear priorities was probably very key, particularly in the beginning, before you start to see some of the results happen.

**Alexandra Jankovich:** And you made extremely significant portfolio changes. Maybe you can share some numbers. Were there almost over a hundred acquisitions at the time, for billions worth of assets?

**Nancy McKinstry:** We shed over a billion euros of revenue and then we bought about a billion or more of revenues. So, the goal was to get very strong market positions, and why is that? When you go out and actually talk to our customers, what you find is they want fewer suppliers, and they want the products to work together. So, what that meant is that in order, for example, to go serve the tax and accounting market, we wanted to be in a position to say: We have everything you need from a product perspective to be a successful accountant. We needed to make sure we had those products in the portfolio, so we had to get rid of some things that were not core, but also acquire things – and of course building things organically to get that strong breadth. And if you look at that strategy, it very much serves us well because one of our biggest opportunities for growth is cross-selling. Most people in the industry, we all have very high retention rates. If you retain, say, 90% of your customers and so do your competitors, there is not a lot of switching going on of customers from one supplier to another. So, what you really need to be able to do is go out to that customer base and say: I have got some brand-new products that are really going to help you do your work and upsell that. So, a big part of the innovation is around having a strong installed customer base and then innovating in a way that allows our sales teams to go out and continue to upsell and grow the wallet share. So, growing wallet share is far more significant as a driver of growth than just acquiring new logos. We still need to acquire logos, but it is for a large part around this cross-selling. And that really requires the focus on understanding customer needs and then driving innovation around what you hear from customers.

**Alexandra Jankovich:** Yes, and in that first phase – talking about customers – how did you make sure you stayed close to customers and made the relevant stuff?

**Nancy McKinstry:** Yes, that happens, so we do a three-year plan that represents the corporate focus but then every year within our business units we do a rolling annual plan. And in that annual plan, part of the goal of all the units is to talk to customers. We talk to customers every day. We have a very clear process that all the units follow in terms of how to innovate. That innovation process, it starts from day one, with getting customers working hand in hand with us. So, the voice of the customer is really in every stage of how we conduct business from ideation to development as well as in our overall strategic thinking making sure we understand where markets are going. Because we do this rolling annual plan, we always have a lot of information on customers. We look at net promoter scores frequently throughout the year to make sure we are staying ahead of competition from a product quality perspective, so we have a lot of ways to stay close to customers.

**Alexandra Jankovich:** That is extremely important and not everyone does that. And then I think you have a quite agile process to test products with customers, right?

**Nancy McKinstry:** Yes, in fact that is one of the things we did a number of years ago. We moved our software development to an agile process, and we work on what we call minimum viable products, so we start ideating early and then we work in two-week sprints (they call it in the development world) we then take it back out to customers, refine it, so by the time we actually get to launch – it can still be a two- to three-year process. Do not get me wrong. These products are very complex. But by the time we get to launch, we have not only beta customers, but we also have generally early adopters who are paying already to use the product. So that whole process has allowed us to get more product concepts in the funnel but to rationalize them more quickly, so you do not get all the way to market to find out you built something customers will not pay for. So, it really was a crucial change in the transformation to get better at innovation.

One of the questions I often get asked from shareholders is: Well, is eight to ten percent reinvestment enough? Why not fifteen percent? And the reason we still believe eight to ten percent reinvestment back in the businesses is enough, is that we are getting more 'bang for our buck' around development. So, for every euro we are investing now we are getting more productivity from a development perspective. That is because of this process that we deployed. Every unit follows that process such that we can look across the enterprise and have a good sense of where we are driving innovation.

**Alexandra Jankovich:** That also means things are being stopped or killed in those first two to three years and do not linger on for years and years. That is also what we sometimes see that pilots start, and then linger on... and sometimes it is difficult to close them, to stop them.

**Nancy McKinstry:** Yes, it does not mean that you are wildly successful on day one, but it does mean that you definitely lower your failure rate. That is part of getting more productivity out of your development dollars. So that has been a very important process that we have deployed going back now probably ten years.

**Alexandra Jankovich:** Also, going back to that first phase. I can imagine that you also got more customer insights because you moved from print to online. What did this do to the business?

**Nancy McKinstry:** Yes, that is such a remarkable element of the transformation which makes it exciting, because in the print world, you spend a lot of time developing a product and throw it over the wall, but you didn't really understand what the customers were doing with the product. In the digital world, we have tremendous usage statistics, so what we can do is, not only from a marketing perspective, figure out certain bundles that customers will likely want to buy because products are kind of linked together. But, very importantly, we use it as a source of innovation because these professions are highly complex, so it allows us to know that if a lawyer is looking at something in security law in a certain area, they are likely trying to solve a certain topic, so we can guide them. We can provide them with more insights: you may want to look at this or at that. We can provide them with certain tools, so those usage statistics are critical



for getting insights into what customers are actually doing with the products. And that is a completely, a huge benefit of being digital that did not exist in the analogue world.

**Alexandra Jankovich:** If we go back to that first phase, what we often see with clients is that for example a pilot has been run, there has been a customer test and some internal people have been trained, but then to turn that pilot into something that scales, so it becomes the main activity of the organisation – could you describe the steps that you have taken to achieve this?

**Nancy McKinstry:** Yes, it starts first and foremost by understanding what customers want and what they are willing to pay for. Sometimes those two things are not always the same. In the beginning, we did struggle with digital products. We did not always have the best products. Sometimes they missed the mark in terms of what they were accomplishing. So, it started very much really going market segment by market segment looking at what was our offering, how did it compare with competition, were we gaining share or not, were customers happy with the products or not? And then, this is where the hard work comes in: very much setting out what we call product roadmaps. So, for all of our products of any size, we have three-year product roadmaps, where we have identified the enhancements we are going to make to continue to improve that product, and that has led us to be in a position today with very high-quality products in the segments we operate in, and very high net promoter scores. But it takes time and a lot of work with your customers. The biggest part of the transformation that we have not talked much about, but it was critical, was we went from a world where people made individual contributions. An editor was working by themselves or maybe with an outside author. We went from that type of environment to a team environment. Today, all the work we do is in a team, so every team has a representative expert, largely an editorial person, sales or commercial people and developers. And they work together to create the products, again with customers. So, making that shift was pretty important and that was very culturally different than the world of the past.

**Alexandra Jankovich:** And when did that working in teams start?

**Nancy McKinstry:** Really early on, so I would say sort of within those first three years. We recognized we cannot just keep acquiring innovation. That was not working for us. We have to do this organically, so how do we get that done? So, what we found is people liked working with their colleagues and they liked talking to customers and they liked problem solving as a team.

**Alexandra Jankovich:** If you look at the organisation, how many of the original people, when you started in 2003, could you take along and maybe retrain, how many did you have to let go, and how many new talents did you attract?

**Nancy McKinstry:** I would say at the senior levels of, say, the top 500 people, we switched out about 60% of them, either because they did not have the skills set or they did not align around where we were heading with the business; but that occurred pretty early within the first three years. And then a lot of the

skills was really around as we begin to grow again. You not only grow revenues, but you grow jobs. So, as we moved into a growth phase, a lot of the job growth is in development so technology roles, and in sales and marketing and those had been our fast growing areas. If you look at our experts that population has been very retained and has not changed that much because we still require that expertise to build the products. So, it really was around technology so today about a third of our jobs are technology-oriented. Again, that was one or two percent back in 2003. So that has been the biggest growth, and then a lot of focus on sales and marketing. So that has also been an area of job growth at the business.

**Alexandra Jankovich:** I also think that from the beginning you invested heavily in your own backbone in terms of infrastructure. I think that was also a good way to centralize certain competencies and facilities, but also keep stuff decentralized at the market. Could you explain a bit about that?

**Nancy McKinstry:** Yes, again, that was one of the big cultural shifts. We were completely decentralized when I took over meaning that every unit was investing in technology. We were duplicating investments which would never be a way that you could scale. So, a big part of the early centralization was getting common platforms, common infrastructure, common development and really reining in the investment, so that the investments were centralized and we could expand those capabilities, also move some things to outsourced providers that had more scale than we did. That was a big cultural shift for people and that led to a lot of people leaving. Because if you were an executive that clearly just wanted to own everything and sort of run your own show with no collaboration with anyone else, it was not going to be a winning formula going forward.

So we began that centralization largely around technology. And then over time, we have created more central functions. So, finance is centralized, HR, technology. What is local is of course product development and sales and marketing because we want those functions to be very close to customers. We also want our local operations to be run by local nationals because they really understand the market. So that led, again, to more diversity because we engaged at the local levels, and so this model of local and global is pretty well mature now at the company. Again, it took a fair amount of work to get us there, but we have a good sense of what needs to be global and what needs to stay local so that we satisfy customer needs.

**Alexandra Jankovich:** You already said that in that first phase you made huge portfolio changes. You sold one billion in assets, and you also bought one billion in assets. The second thing you said about that period was you reinvested 8 to 10% in revenue. I also saw that's like fifty-fifty CAPEX and OPEX (Capital and operating expenditure), right? I also thought that quite fascinating.

**Nancy McKinstry:** Yes, in the beginning there was more operating expense because we expensed everything right away. The kind of accounting definition is... you can only capitalize something when it reaches technical feasibility. So, any new innovation is not ever going to get to that standard until you're out in the market place. The reason our CAPEX is a bit higher today is a lot of what we are building is



cloud. So, we are taking our on-premise solutions to the cloud, so they reach technical feasibility very early and therefore we can capitalize. So, we tend to think about those two metrics together and add them up, you know, sort of to 8 to 10. The other thing we did that was from a process perspective pretty instrumental, is that we think about the business from a portfolio perspective. What does that mean? Think about a bell curve. We take our product development, we look at nascent, high growth, mature and declining. We take our major products and businesses and put them in that bell curve. And what you would see is that 8 to 10%, while it is the average, in the nascent and the high drove it is much higher, it is more like 15%. And of course, in the mature and the declining, it is much lower. So that capital allocation philosophy was very critical. So, if you talk to any of our senior managers in the company, I think one of the things we have embedded in the cultures of the company is a focus on capital allocation.

**Alexandra Jankovich:** There is a finite budget, and, in the beginning, I think you had to spend it across print and online. And now you have to divide it between the services and products of different maturity, as you say.

**Nancy McKinstry:** There is a tendency, when you have a budget, to spread the peanut butter – if I can use that expression – across all products and businesses and you try and give a little bit to everything, and no one gets enough. You never have an impact using that philosophy. So, by having this strong orientation towards capital allocation and where the return comes from, it actually allows us to really put enough focus behind the bigger opportunities. And that again has led to stronger results around growth and around profitability.

**Alexandra Jankovich:** If you look back at the transformation, would you have done things differently?

**Nancy McKinstry:** I would see of the big three things we did, the portfolio changes, the reinvestment and the focus on the core organic innovation, and the enhancement of talent, I wouldn't change them, as they are very important. I think along the way there were a few acquisitions that did not turn out to be very helpful. There were products that were launched that maybe didn't meet the market but in the broad, I would say the focus was the right focus. On some of the execution there is always room for improvement, but I would not look back and say: Could we have done it faster? Today we still have print customers and if you had asked me back in 2003 'Will you have print customers in 2022', I would have said: Absolutely not. So, these formats stay in the market for a long period of time and our goal has got to be that we satisfy customer needs. So, I think it would have been extremely difficult to go faster.

**Alexandra Jankovich:** What do you think should be a CEO's minimum term to do a transformation like this?

**Nancy McKinstry:** Well, you know the average CEO, McKinsey actually does that survey, I think. I don't know if they still do it, but in the past the average was four years. I think that is too short to do any kind of transformation. So, I would say for something at the scale of Wolters Kluwer, where we had to change

literally every aspect of what we do, you need at least five to ten years to get it done. I would say the last eight years have really been about the next transformation. So, we are in the second phase. The first phase was print to digital. The second phase is digital information to expert solution. If you think about one transformation, it is probably a decade if you are changing as much as we needed to.

**Alexandra Jankovich:** I'm also wondering... the good old print business was a very good margin business, right? And the majority was subscription. I think you capped that, 80%. It is amazing that you know what you will earn at the beginning of the year. If I can ask you, how are your current margins compared to those of the print business when you started.

**Nancy McKinstry:** Yes, this is what I get so excited about and what I talk to employees and shareholders about is: the first transformation, if you really step back and think about taking a customer from print products to digital, the profit pools did not get any bigger, right? You literally lifted that customer from one format to another and, in fact, I would argue, because you had to invest so significantly in developing those online skills, that the margins decreased in that migration. It had to happen, or the company would not have survived if we did not but it was not a margin play per se. If you look at this next transformation, what is really exciting is if you look at expert solution products, when they are at scale, they have significant margins. Why is that? These are critical must-have products that are heavily renewed. So, an information product maybe you renew at sort of a rate of 85 or 87%. An expert solution you are renewing well above 90%. As a result of that you can grow faster. It is also once you have a core expert solution that a customer is using your ability to upsell and cross-sell much higher. So, for all of those reasons, at scale these expert solutions have very nice margins.

**Alexandra Jankovich:** And if you compare them to print?

**Nancy McKinstry:** They are higher, they are higher. They were not always in the beginning. They were not at scale. It is not higher. But when you get to that scale, with a critical mass of customers using a product, they are higher than print.

**Alexandra Jankovich:** And now the last topic, your transformation to a sustainability leader. Because you have started the program ENGAGE. Maybe you could share some main elements of that program.

**Nancy McKinstry:** ENGAGE is mainly about increasing our impact on the elements of sustainability that were there but maybe not linked in and led in a certain way. I am really very excited about it, because it is also a way for employees to feel connected to the company and the communities they work in. And I think it is important, my sense is, for us as business leaders to tackle climate and change, it will require intensive collaboration between business and governments, and NGOs to kind of really tackle this. I do not think anyone can do it by themselves. And I think what I see around the world is business leaders kind of stepping up and making a bigger contribution and I think that is absolutely needed.

**Alexandra Jankovich:** Looking at the future, how do you make sure that you keep on being a growth-focused, innovative, fast-learning company?

**Nancy McKinstry:** It starts with engaged employees, so we spend a lot of time, ensuring the feedback we get from employees around the engagement survey we do... that we tackle those areas, where we need to kind of make a change. It is really exciting, so I think that external input keeps people very energized around what we are doing.

**Alexandra Jankovich:** Well, I think the way that you drive this, your energy to make this impact and engage everyone is the best example. So, thank you so much for sharing lots of your insights of your incredible journey. And great talking to you and thank you so much!

**Nancy McKinstry:** Thank you very much. I enjoyed it as well. Take care.

**Alexandra Jankovich:** You too.

**Nancy McKinstry:** Bye bye.