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Question & Answer Segment
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Q: If you weren't working at PepsiCo where would you be right now?

IN: Applying for a job to come to PepsiCo. Standing on the employment line. I don't know. That is a tough question. I feel like I am home and I don't even know where I'd be. I'm serious when I say that I would be trying to be part of the company like PepsiCo or trying to change the environment in some other company so it looks more like PepsiCo.

Q: With all the changes in the last few years, what was the message to employees? And what were the toughest questions you received?

IN: You know we started off sort of articulating the end vision and we started off way back in '96 when we first started talking to the employees saying, "We want to make PepsiCo the defining corporation of the 21st century." What do I mean by that? When people go back and write about the first part of the 21st century, the first couple of decades, when you want to talk about great companies, we wanted them to talk about PepsiCo. So the ambitious goal we set out for ourselves is that we wanted PepsiCo to be viewed as a defining corporation. So all the steps we were taking got us to that end goal. It was an aspirational goal. Everybody wanted to be part of that journey.

What were the difficult parts? I tell you the first difficult thing we did was spinning off our restaurant business. I'll tell you why it was difficult because we bought KFC when it was very small, well before my time. Pizza Hut was a small company and Taco Bell almost didn't exist when we first bought it. We built it. There were a lot of PepsiCo employees who were part of these restaurant

companies and even Steve Reinemund, who is our CEO today, grew up in Pizza Hut. So the restaurant people are very much part of PepsiCo. The toughest thing about this transformation was letting your best friends and people you worked with for years leave the PepsiCo family and go off on their own. But at the end of the day I tell you the biggest lesson we learned is that had we just told them, “You know what we are spinning off the restaurant business because it makes financial sense,” I think we would have had real resistance and problems. Instead we stepped back and said, “Lets try to understand the underlying strategic reason why we should or should not be in the restaurant business.” Once we got everybody in the restaurant business signed up to the underlying strategic rationale, the financial transaction was very simple thing to do. It was all about laying out the reason, communicating it very clearly, having an open dialog with them through the entire process, and affecting the separation in a way that both parties felt it was a win-win, as opposed to one party feeling like they got messed up in the bargain.

Q: There are very few women in companies, what are the lessons you have learned?

IN: You know I will tell you one thing which some of you women may not like to hear, but accept it for whatever it is. The fact is that if you are a woman and especially a person of color woman, there are two strikes against you. Immigrant, person of color, and woman, three strikes against you. I can go on. If you want to reach the top of a company, I agree with what VG said about it can only happen in United States, but you have got to start off saying that you have got to work twice as hard as your counterparts. If you decide to get on a crusade and argue for equality and some kind of promotion, you could be on that crusade forever.

This is just a personal point of view and I will tell you not just here, ever since I have been in the work life I have always used that simple rule that whatever I did, I had to produce an output that was so much better than what somebody else did. So I would work extra hard at it. More hours, yes. More sacrifices and trade-offs, yes. That has been the journey. But the problem is I don't know any other

journey. This is the only journey I know. So I don't know what it is to have the cushy life and go home to watch the 6:00 news.

Q: Can you talk a little bit about the 6:00 news part. There is the other side of you that I know is the children, the mother part of you. What does it mean in your life and the importance of that to you in your role as a leader? Because we have a lot men and women and it is not just a female issue, it is a human life issue so what is your perspective on that?

IN: It is very hard. I tell you I often say that first of all I made a choice to be a business executive, a mother, a wife. The only thing that wasn't my choice was to be an Indian daughter, an Indian daughter-in-law. That came from my heritage. There is baggage along with these. Those of you of Indian origin know exactly what I am saying. South Indian origin is even worse. I made those choices. So I am not going to sit here and say, "I am a mother. I need balance. I've got to create balance."

So how does this work, this balance business? You have got to go out and get everybody into your program. You can be the mother of two kids but everybody else has got to work with you to help you be a good parent. I will give you some examples. This speaks to the strength of PepsiCo. My kids, I have two daughters, one who just went to college and one who is just nine years old. So, they need me. The first thing being part of an Indian family is great because the extended family helps you out. So when my husband and I sit down with our travel schedules, both of us are traveling and even though we have a lot of help at home, we don't like to leave our kid with just nannies. We would like a family member with them. So we look at this matrix of relatives and sisters and brothers to see who can come and stay with us. Which means you have to be extra nice to everybody in the family. So that everybody is helping out. Hey, that is what life is about ok? So that is one thing I have learned to do. How to cooperate with the extended family and call on them for helping out.

Second thing, you have got to have people at work who are willing to accept the fact that you are a mother and/or a father and the kids may occasionally be running around the floor. In PepsiCo there are four buildings. In building four, floor three is where Steve, myself and the senior executive teams sits. Our floor is called 4-3. It is not uncommon to see my nine year old daughter who finished school, came home, and missed her mommy. So she called from home to the office and said, "I want to come to the office to be with mommy." By 5:00 she is in the office with the homework and she is visiting all the executive officers. Don Kendall, our founder, has an office two doors from mine. She will walk in his office and say, "Mr. Kendall, how are you? Do you have time to chat?" The man is 81, he would look at her and say, "Would you like to chat sitting in this chair or by the fireplace." She looked around and said, "I will take the fireplace." So it is not uncommon to go an hour later and watch her sitting on the couch pouring out everything mommy did at home to Don Kendall, the founder of the company. Remember that chewy stops the chatter, I would love to give her a few bars at that time, but at the end of the day it is part of co-opting the whole ecosystem around you to help you bring up your kids.

I view PepsiCo as an extended family, because everyone on the floor has kids too. Steve has nine year old twins. Todd McKenzie, our communications head, has young kids. The head of HR has got young kids. So everybody helps each other out. The other day my nanny locked the keys into the car. She called over to the office and I wasn't there. Somebody picked up the phone and Peggy Moore's husband went over from his house. He is head of HR. Her husband went over to my house and opened the car door for my nanny. Unheard of in most corporations, but in PepsiCo everybody helps.

When I am traveling my nine year old will call the office and the receptionist will pick up the phone. My daughter will say, "I want to play Nintendo. Can you ask my mother if I can play Nintendo?" Now my receptionist has a checklist. Have

you finished your homework? Have you had your snack? They have all been trained, they go to the checklist and then they say, “Ok you can play Nintendo for a half an hour.” Then Maryann will call back and say, “Have you stopped playing Nintendo now, half an hour is up.” Then she will leave me a voice mail saying, “I gave Tara permission to play Nintendo.” So there is a closed loop system.

But you know guys, this speaks for the strength of Pepsi, because we know that to attract the best people, we have got to create an environment where people can actually balance life. Do we really balance it now? I am still out there working and traveling, but everybody else has had things including PepsiCo as an extended family. It is constant trade-offs and constant balance. You know at the end of the day if I stand back and have regrets it is never going to work. You just look forward and get on with life.

Q: You talk about the importance of being prepared strategically. How do you judge the effectiveness of projects?

IN: How do they judge the effectiveness of a project? You see it is interesting that you ask this question because every one of our divisions, you take it down to a fairly low level in the company, have a very clear stretch but achievable objective that we set in the beginning of every year. I want to emphasize the word stretch but achievable. The beginning of the year you look at these objectives and you sign up to them. You know you have really got to give it your ultra-best to make these objectives. Our belief is that once you spend enough time in the design of those objectives up front and you unleash the corporation’s entrepreneurial spirit and create an environment for them to work, they can meet those objectives.

We are a very objective driven company. We spend a lot of time up front setting objectives and our guys rise to the challenge to meet those objectives. When they don’t meet the objective, we don’t have to flog them because they do it themselves. A lot of self-flagellation goes on. They figure out how to get back

on the growth agenda again. Our employees feel like they have really reached or delivered what they needed to if they meet their objectives. The objectives are not just numerical objectives. They also relate to people or creating an environment or meeting certain diversity goals. So we have a fairly small but a comprehensive list of objectives. That is really how we judge whether people are making progress in the organization and delivering on the overall corporate objectives.

Q: When you made these big and successful changes did you run into people who did not deal with the changes? If so, how did you handle this?

IN: You know when I was in business school we went through two exercises. One was a desert survival and one was arctic survival. Have you guys gone through these exercises? Oh, you haven't. You don't do that? I'm sorry. You know it is interesting, business school. Yale was big on this touchy feely stuff in those years. It is good stuff. But what we had to do was pretend we were in a desert and were only given ten things. Everybody in the group had to prioritize because you were only allowed to pick up five things and decide whether to stay or to walk and then they would videotape you. The OB professors would sit outside this one-way room and watch the group dynamics. How you bring others along with you was one of the biggest lessons Yale taught me, both in the desert survival and arctic survival.

Interestingly, those principles of desert survival and arctic survival come back to me every time we sit down and talk about how to bring people along with us. How do you articulate that noble cause? How do you create a picture for them that where you want to take them is better than where they are today? It is not easy because each person's picture of the future or where they want to be is different than what you think the picture is going to be. The first step is really understanding the points of view of each of the people that are involved and then trying to craft the new or better vision for them and then taking them along with

you. It is communication all the time. I would say you might even argue that it is over-communication. Dick Detwiler handles communication for PepsiCo and I tell you we over-communicated to our people about the end state. After continuously talking about the end state in strong glowing terms, it is infectious because you get the opinion leaders on board with you. They carry the message to other people and pretty soon you have this movement that takes root.

Now what do you do with people that don't come along in the arctic survival? In every change agenda there is always going to be a percentage of people like 10% or something that are not going to agree to the new agenda. They are the casualties of the change. If they have to go, they have to go. I think one of the challenges that we have is to make the call about those people after we have tried our best to bring them on the program. We did lose people and I would say most of those people who have left would wish they hadn't left and stuck around. Many of them have come back to the company.

Q: How do you keep such a large company together?

IN: Strength of our people, I told you. I mean PepsiCo has a group of people that are just incredible. The best way to explain that to you is if you were at PepsiCo and you left PepsiCo and you saw the kinds of people you were working with in the new company, you will realize the power of the PepsiCo people. It is a youthful culture. It is a bunch of "can do" people. Everybody is eager to sign on to new challenges. They want to be the best of what they do. I don't know what it is...maybe it is the Pepsi they drink.

Remember the old chimpanzee ad for Pepsi? Who remembers it? I've got to tell you. Do you have two minutes? There is an old ad for Pepsi, which I think was the best example of what Pepsi is all about. In this ad a bunch of scientists were feeding Pepsi to a chimp and the other red drink to another chimp. After a few months of Pepsi Diet and red diet, the red diet chimp would utter a couple of

words, in a listless way, but the Pepsi chimp was in this convertible with the babes. What that goes to show you is that the Pepsi culture is one where the people are youthful.

There is a spirit of candor that pervades the whole company. Especially in times of adversity the Pepsi family comes together and they work through the issues and I think that is what differentiates PepsiCo from most other companies. I'm not suggesting it is easy though. Because when you are \$28 billion, to grow the top line by 5% or more every year is very difficult, especially in today's environment. Wayne Callaway used to say growth is oxygen and PepsiCo employees would tell you growth is oxygen. The time that everybody feels down is when the top line growth is not there. That is what has kept this company growing. It is a Darwinian principle. If you don't like that culture and you don't like this high performance culture you leave. In recent days we haven't been losing people. People want to be part of the PepsiCo culture.

Q: How happy are you with current product mix and the strategy? If not, what are you doing about it?

IN: I could give you the list of deals I am looking at off-line but I am not going to do that. One of the changes to the PepsiCo strategy, if you have read the *Wall Street Journal* today, the cover had something about PepsiCo but the way to think about PepsiCo's portfolio is if you took all of our products, foods and beverages, snacks and beverages, there are really three parts to our portfolio. The first part is what we call "fun for you" products, highly indulgent products like Pepsi, Lays, Ruffles. You eat those products and you get a smile and you feel like you are in heaven. That is a group of products. The second group of products is what I call "better for you." Products where you have a Baked Lays, Low Fat Ruffles, Rold Gold Pretzels. You know, still great tasting but they are better for you. Then there are products which we call "good for you" where you add back functionality, like Tropicana with calcium, Quaker Oats. These are all products

where you consume them and there is actual net functionality that goes into your body. If you look at our portfolio today we have between “fun for you” and “better for you,” it is about 70% of our portfolio. The “good for you” is a 30% of our portfolio.

If you ask me about PepsiCo a few years from now I would like to see this “good for you” be a larger portion of our portfolio. It is going to be a challenge. I tell you why. Not because we can’t grow “good for you,” but because 70% of the portfolio is growing still at a rate that is going to make it hard for us to grow “good for you” to catch up and rebalance this equation. So everything we are doing right now is keep that “fun for you” growing. The “fun for you,” “better for you”, but accelerate the growth of “good for you” so we can be viewed as not just a lifestyle company that brings a slice of joy to you but also as a nutritionally responsible company. That has been our acquisition trajectory over the last few years and I think all our innovation, our strategic direction is headed that way.

Q: What has been the biggest challenge in fighting for market share against the other big red drink?

IN: That is what we do on a daily basis. The challenges we jockey for position for all the time. The good news is that for the last two years we have been a net gainer of market share in North America. I can’t talk internationally because it is so much bigger than us internationally. In North America the challenge is really two-fold. One is innovation, real ground breaking innovation. Second is execution by the bottling system. I think in terms of execution by the bottling system our Pepsi bottling group and our other bottling partners have really done a phenomenal job out-executing the other companies bottling now. On the innovation, for the last two years I would say 2001, second part of 2000 to 2001, the early part of 2002 we clearly out-innovated the other competitor. Mountain Dew Code Red was a runaway success. You may say Aquafina was an innovation, but the way we rolled out Aquafina the water really helped us grow.

We have the number one tea in terms of Lipton. What we have done with our juice portfolio was truly innovative.

But with great companies nobody goes to sleep and lets one competitor run away with it. Recently the other companies woke up and said, “Hey we better go back and fight for it.” The good news is that a company remains great when there is a strong competitor. If you have no competition you will atrophy. So the great thing about the whole covenant of soft drink industry and beverage business, in particular, is you have got two strong competitors. Both keep each other nimble and on their toes. That is why you’re seeing so much innovation. Pepsi Blue has just come in. I don’t know if you have tried it, but it is a great new product. So you just keep that innovation pipeline going and keep excitement in the category, then couple it with a flawless execution. That is the name of the game. It is small changes everyday to make it work.

Q: What do you like the most about your job and the least about your job?

IN: The best test is that I wake up every morning dying to come to work. So I don’t think there is any part of my job that I don’t like. If I don’t like something I have to change it so who am I going to go complain to? That is a problem right? So If I don’t like my hours I change it. If I don’t like my office I change it. I tried complaining one day and my CEO looked at me and said, ‘What are you telling me? You want to change something, we’ll change it.’ Let’s assume that every part of my job I love. If there was anything I didn’t like, I’d change it.

What do I like least about my life? I wish every day had 35 hours. One would love to be a great business executive, the world’s best mom, the world’s best wife. All of that stuff. The way I look at it is there are some days I am the world’s greatest mom because I came home at 6:30 or 7:00. My daughter has a system that she gives me black tickets. She has gone to my calendar and marked off when she says I have to be home for dinner. If I am not there she gives me a

black ticket. Five black tickets mean I have to take a day off or take her shopping. Which is really awful because she always picks a day off which cannot work with me. When you have that system set up, you want to be able to get home on those days and not get a black ticket. So the things I don't like about my life is the fact that she has got me on this tight leash, that she has to do that to get mom's attention.

Those are the things I don't like. But would I change it? I'm not even sure. Genetically I think people like us are made to like what we are doing in such a high-pressured environment. Multiplexing, doing 20 jobs at the same time. I cannot think of life without doing that. I think I would hate if I had to be in a more normal low-key lifestyle. At this point I would not change a thing about what I am doing. I work through all of these issues. One day I am going to be a great mom, one day my husband is actually going to say I am a great wife, and one day I will be a great executive. Depending on the day of the week or month. The rest of that is just something you cope with.

VG: You talked a lot about business issues and your vision for PepsiCo today. During lunch you commented on two issues that were fascinating for me. One is sort of going back to your own career and thinking about your upbringing in India and the values from the east. What is it that has kept you in good stead in the last 20 years or so as you pursue your leadership journey in the United States? And the second related question is, where is Indra Nooyi going to be five years from now? Perhaps if you could comment on those two.

IN: I will talk about the 2nd and work my way to the first. When they asked me this question at lunch I said, "I hope in five years from now I still have my job at PepsiCo." Now why did I say that? Today's environment is very tough guys. It is an incredibly tough environment. Trying to balance the demand of shareholders, customers, consumers, employees, the local communities in which you operate in and especially with these additional CFO responsibilities I carry.

Life is not easy for a CFO. Some accountant in some God-forsaken part of the world could make a mistake and it could ripple back up to you. So the bar has been set very, very high and we are constantly jumping to hold on to it for dear life. Life today especially at the top is very, very difficult. My first objective, in due respect for the next five years, is to make sure that this journey that we have embarked on in making PepsiCo and keeping it a great corporation, we stay with that agenda. Beyond that I don't have any other visions for myself at this point.

In terms of personal evolution and development I was telling the professors at lunch that the great thing about growing up was I grew up in a middle class family. I think that was great because I feel sorry for my kids who are not growing up in a humble middle class environment, because that is the best thing that happened to me. It was a south Indian brahmin environment where my grandfather who was very tough on us said, "The only thing that matters in life is grades." As long as you got good grades you were okay. If you didn't get good grades you were not worth it. In our school system we used to get a report card every month. 30 kids in the class and every month we got a rank, 1 out of 30, 4 out of 30, and 5 out of 30. The 30th day of every month you got a report card and my grandfather would stand at the door waiting for the report card. If you didn't get one of the first three ranks of the class, you might as well kill yourself on the way back from school because he was going to kill you. So those were your two choices, killed by own grandfather or jump in front of the bus. When you have that sort of a goal to make all the time, you just work your tail off. I cannot remember a time in my life when I didn't work my tail off because there was no space in the home if you did not get good grades.

I had an older sister who was a year ahead of me who was a student of VG's. When VG was a very young teacher. She was excelling at studies, so you always tend to look at your sister. How can she do so well and you can't? She came first and you only came third. Holy cow, let me go back and work. I want to be a rock star and I want to play cricket and he says, "Forget it. You are going to study

hard.” So I studied all my life. The other thing that my parents taught me and my grandfather taught me was, when you do a job you got to do it better than everybody else. Simple. You cannot let anybody down. I will tell you today at PepsiCo, if I am given a job, people who work with me and people I work for will tell you that if Indra is dying she will make sure the job gets done because I just don’t know any other way to do the job. So it is those values that I came to this country with and I have just kept those values.

The last and the third most important thing is when I came to this country I had no safety net. If I failed, I failed. The end of the month I would have \$2 left over, and if I had \$5 I thought I had died and gone to heaven. I had no money guys, I was dirt poor. At Yale I worked the receptionist counter from midnight to 5 a.m. to make money. When you don’t have a safety net, when you don’t have money to buy clothes for interviews and you are going to a summer job in saris, all of a sudden life gives you a wakeup call and you realize that you have got to work extremely hard to make it happen in this country for you. Having grown up through all those hard knocks, through business school, through youth, you get a different perspective on life and you don’t complain when you have to work hard now because if you are not working hard you think something is wrong. I have a different frame of reference when I approach my job. I know some of you are feeling tired just listening to me, but hey guys, that is reality. That is how some of us work our way up to the top.

I tell you something, Steve Reinemund our CEO is no different. He too grew up in a humble environment. He too worked his way up, extremely hard and most days when we leave the office at 7:00 or 8:00 at night we turn out the lights on our floor. We leave the office with two or three bags of mail. Both of us having to have to read that overnight and come back at 7:00 or 7:30 in the morning fully ready to do business again in the morning. So if you all think, and back to your question Ella, that it is 6:00 news for us, it’s not. I haven’t seen the news in days guys. I read the newspaper. It is not easy up there. Just keep that in mind.

Any other questions? So after listening to the story, how many of you are really excited about getting into the corporate world and go off and be business leaders yourselves? Nobody?

Thank you.