PepsiCo Chief Indra Nooyi on the CEO of the Future

Indra Nooyi

Chairman and Chief Executive Officer

PepsiCo

May 12, 2009

MR. RUBENSTEIN: We're very honored tonight to have the Chairman and CEO of PepsiCo, which is the world's fourth largest food and beverage company. I doubt if many of you go through a day without consuming a beverage or a snack from PepsiCo. PepsiCo is actually about the 19th biggest company in the United States market cap wise, with a market cap of about $75 billion and about 198,000 employees – so, quite large.

It was actually formed as a combination of Frito-Lay and Pepsi-Cola about 50 years ago. Our guest tonight is the fifth CEO of that company. When the company was being created by a number of American males, I suspect they did not think that someday the CEO would be not only a woman but somebody not born in our country. [Applause.]

But I also know that, had they known her at those times, they would have had no doubt, and if they were here today, they'd say Pepsi selected the absolutely perfect person to be CEO of PepsiCo. [Applause.] Indra Nooyi was born in India, received her college education at Madras Christian College, and received a business diploma at the India Institute of Management. She then came to the United States and received an MBA at the Yale School of Management. Following Yale, she was recruited by many companies.

She went to Boston Consulting Group, which usually gets the best and the brightest out of the business schools, and subsequently went to Motorola, where she actually now serves on the board, and then Asea Brown Boveri. In 1994, she was recruited into the corporate strategy group at Pepsi, and in 2001 she became the CFO. In 2006 she became the fifth CEO at Pepsi, and became the first woman to serve as CEO of a public company in the United States of that size and that international scope.

In part because of the job she's done since she was CFO and CEO, she's been widely recognized around the world for her accomplishments. Among her awards and commendations are the fact that *Forbes* magazine in 2006 declared her to be the world's third most powerful woman in the entire world. [Applause.]

In 2007 and in 2008, *Fortune* magazine declared her the most powerful businesswoman in the world. Pretty impressive. Since she's been at Pepsi, its earnings and its revenues have gone up dramatically. She doesn't like to take credit for it because it's part of a team effort, she would say – but her record as an outstanding corporate leader is well known. She has also been an outstanding leader in the fields of corporate integrity and corporate governance and transparency. Pepsi is widely considered to be a leader in that field.

Outside of Pepsi, she has time for other activities. She is a member of the Federal Reserve Bank Board in New York. She is chairman of the U.S.-India Business Council, and I am delighted to serve on the board of the Lincoln Center for the Performing Arts with Indra. She is impressive, as you'll see in many ways, but among the most impressive things is that she is an extraordinary mother and an extraordinary daughter – an extraordinary mother because her daughter is here tonight, even though her daughter has her employer's principal dinner tonight; her daughter gave that up to come here, which is a testament to her mother. [Laughter.]

And this will make you all feel a little bit perhaps squeamish about your own relationship with your mother; she calls her mother every day, twice a day, in India. [Laughter.] So for all of you who may not think of calling your mother quite that regularly, just think about this: She is not only running PepsiCo, doing all the other things, she is calling her mother twice a day. [Laughter.] My honor to introduce Indra Nooyi.

[Applause.]

INDRA NOOYI: Thank you, David. Ladies and gentleman, good evening. It is a tremendous honor and privilege to be speaking here at The Economic Club of Washington. You know, it is also a little daunting to follow the very impressive group of speakers you've had recently, including Secretary Geithner, Larry Summers, Randall Stephenson, and Paul Otellini.

Then there is all of you, the audience. What could I say to such an intelligent group of thought leaders that you don't know already? Let me point out some people here who absolutely intimidate me: Vernon Jordan. [Laughter.] I have to tell you that when I became CEO, Vernon Jordan called me and said, people won't recognize you as CEO unless you've spoken at The Economic Club of Washington. [Laughter.] So, 2 years later I'm here, so Vernon, thank you for welcoming me to The Economic Club of Washington. Sorry, David, but Vernon was there ahead of you.

I have to thank friends of PepsiCo from the past and friends of PepsiCo today. From the past we have board members of PepsiCo represented here, ex-board members: Bill Coleman, a dear friend of PepsiCo; Frank Raines – Frank, I don't know where you are, but Frank Raines, a dear friend of PepsiCo; and, I know he's here in spirit, Bob Strauss. Three of them served on PepsiCo's board, and we're just glad that we've had an association with these three great people. And then, two of my bosses are present here. Sharon Percy-Rockefeller and Alberto Ibarguen – so to my bosses, I salute you.

[Applause.]

Then all the other great people here, I cannot name everybody and every table, but Tom Donahoe from the Chamber of Commerce, we have here Charles Cobb, you know, all these people who have really set the standard for corporate governance, and written extensively on issues that matter to the country. Ambassador Shankar, welcome to your new position, it is a delight to meet you. Quite a group to impress, I must say.

So I thought, given what a difficult assignment this is, I'd make it even harder on myself. In a recently published survey, academics and industry experts came out as the most trusted spokespeople in the world. Do you know who was almost at the bottom? Chief executive officers of large corporations. So I decided to take a risk and stand before you, the CEO of a large corporation, ready to do a speech on what the CEO of the future might look like.

I'm just grateful that I'm not speaking to an empty room. [Laughter.] So I want to start here with a personal reminiscence. Two years ago, when I became CEO of PepsiCo, we put in place in the company a corporate directive at PepsiCo that encapsulated something that PepsiCo had always stood for: We called it performance with purpose. We believed then, as we do now, that there is more to business than the earnings cycle.

Our basic idea was that a company had to marry its performance with its ethical concerns. Its performance and its purpose are not separate entities, they merge. They feed off each other, they need one another. This is a particularly important idea against the backdrop of economic troubles we are in today.

In this maelstrom, a debate has begun about the nature of the way we do business. There are those who argue, like Bob Reich, that capitalism's role is to increase the economic pie and nothing more, let government do the rest. The argument runs like this: Private enterprise is a great vehicle for innovation. It has been the engine of growth and it has facilitated technological advancements we saw in the 20th century.

Our prosperity has rested upon it, and so has that of many other nations. So preserving that capitalism as it has been for the past 2 decades is the only way to spur innovation. And that is one argument.

Then, on the other side of the issue, there are those who say that corporations and the very nature of capitalism have to change radically, with even more government regulation and even more oversight by boards of directors.

Now, I would say to you that it would be a mistake to lurch to either extreme. I think the right answer, instead, is the ideal of performance and purpose working together and working well together. The company of the future has to think of what it is for as well as what it does.

The company of the future has to be guided by the fact that it owes an obligation back to society. The company of the future has to do better by being better. Aristotle once said that the unexamined life is not worth living. I think it's time to examine what we do once more in the spirit of a critical friend. Let's pause for a moment to consider what we need to examine. What has been the dominant model of the company for our time?

I think it was something like this: The company should be an ever leaner and more efficient vehicle for the delivery of shareholder value, sometimes at the expense of other considerations. And the business model is narrow: simply to maximize the return on capital. This idea was then tied to the short-term horizons of the stock markets and this led to a simple but brutal assessment of the role of the company – a source of value, but with limited guidance by values.

I've drawn this picture quite sharply, and it's definitely more complex in real life. And I am also aware that many companies have rejected many parts of this portrait. But I think you'll recognize the analysis and I think you can see a sketch there of one idea of the company that has been important in our times. I think, though, if you take a longer view – if you look back at the history of the corporation – you find that the idea that I've just set out is of relatively new vintage. In the 19th century, the best companies were seen as community organizations rooted in the society that gave them a home.

They gave their employees far more than the boon of occupation. They often provided housing and other benefits. Workers tended to life pretty close to the factory, and the whole ambit of the company from supply through effective demand was usually local. Over time, this form began to decline because production got big and markets disparate, and companies went from local to national to regional then global. Then the competition that free markets engendered put greater pressure on the company to return a surplus over costs.

In a tough market, the supernormal returns – which effectively paid for all the extra benefits – were competed away to an equilibrium return. In more popular language, companies just couldn't afford to be so generous all of a sudden. Now, I want to be clear on one thing. I don't want you to think I'm sounding a lament for a lost age. Many of the practices of the 19th century corporation were terrible: Employees were exploited, health and safety were neglected, and there was outright illegality in that century. And there is no golden age that we can rediscover. Also, a great deal was gained as companies grew in size during the 20th century – scale, purchasing power, access to new markets. But I think we can now see that something was also lost. Somewhere along the line, the advocates of the joint stock company began to believe they were running a sovereign entity. They forgot that a company operates under license and therefore has to give something back.

They forgot that the whole of its duty is not merely meeting its legal and regulatory obligations, but also its larger obligation back to that society. There are, today, very many companies that understand and live by this ethic. At the risk of sounding self-congratulatory, for just a brief moment I'd like to offer that PepsiCo is one such example. The task we face is to make it so plain that that's the way companies have to behave.

And for those who do not fully embrace this idea of the company should be persuaded that all corporations have a responsibility to the society that hosts them, I am not talking about a company that is run on sentimental lines. Every business has a bottom line. Every business has to restructure now and then and sometimes make tough decisions. Thinking differently does not mean we suddenly get a vacation from reality. But I do think that we need to think again about the legacy we leave. I think we need to embed a culture of long-term thinking.

If that is right, then the job of the CEO is going to be very different in the future from the way in which the job has developed over the past 2 or 3 decades. The CEO we have tended to admire has been the one who could take the costs out, the one who could get the biggest return in the shortest possible time. That was what the idea of the company as an engine of short-term value required. But that kind of hard-edged leader delivering a return on capital no matter what the emotional social cost, I believe, is yesterday's leader.

Now, not everything changes at once. There are some parts of the task that will never change and probably never change forever. CEOs still have to have operating expertise, they have to know the company upward, downward, all the way through. They have to understand how to read a P and L, how to manage cash. It will still be important for CEOs to set a course, manage the ship as it steers, be capable of expressing the mission, communicating to people.

CEOs have to do all of that. There is going to be no release from those obligations. But the role of the CEO is going to be a lot more, because none of those qualities I just talked about will be enough any longer even if it was in the past few years. So we need a new breed of CEO better equipped for the job they will now do than the job they did years ago. I think there are at least five ways in which the job description will change. These five things are as follows:

One, the CEO has to think long term. I will talk more about that. Two, the CEO needs to understand the way public and private sectors are coming together and work constructively within that framework. CEOs need to make the phrase "Think global and act local" more than a cliché. CEOs need to be learning and keep an open mind so they can adapt to a rapidly changing world. And, lastly, CEOs need to bring an abundant dose of emotional intelligence to the job.

You know, there may be many more important aspects. There is, I'm sure, a lot to say on each of these that I've outlined. But I want to offer something to you. I don't think for one second that my account is a definitive account. I offer it no more than an opening round in a conversation that I hope you will join in. So, the first one, perhaps the most important thing is that the new CEO has to create sustainable value. They have to think long term and align all metrics in the company at every level on the longer-term. And this has to extend to analysts and shareholders.

The whole perspective in which companies are viewed needs to shift from the short to the long term, and as I would say, to a focus on shapes, not just numbers. Judith Samuelson of the Aspen Institute recently made this case with great eloquence. She said, "The economy did not get into a mess because people were paid too much. It got into a mess because they were paid to do the wrong things." Explaining the recession, Judy Samuelson says quite rightly: "If we had to pick one overarching cause, it would be business leaders taking on excessive risk in the quest to increase next quarter's profits."

The Aspen Institute recently brought together a mix of high-level business leaders, governance experts, pension fund managers, and union representatives to form what's called the Aspen Corporate Values Strategy Group to set out some metrics, ways to communicate this, and some policies on executive remuneration – all towards this objective of creating long-term value. But the question for all of us is, how do we bring this to life? And I think the responsibility lies with CEOs. CEOs need to come together to make sure that no one CEO takes the whole risk.

This is always the problem when we ask for big changes. If all goes well, benefits are shared. If it goes badly, it falls on one pair of shoulders. So I would offer that CEOs have to come together. We have to recognize that change is required and we have to make it happen. So that's the first requirement for a CEO.

The second requirement of the new CEO is that they have to have a deep understanding of public and private partnerships. A good, modern company cannot function without these partnerships. It is indisputable that the world we live in is more interconnected than ever before. We have shared problems like pandemics and environmental change. It is impossible to contain these problems within national boundaries; they are global issues. Furthermore, a company is always embedded in society. A company is granted a license to operate from that society and therefore it owes that society a duty of care. Intelligent corporate action can be a great help to society. But unthinking corporate action can add costs to taxpayers.

The CEO needs to be able to recognize the positive role that corporations can play in society and become a respected voice in these debates. Let's not forget that a healthy society means healthy corporations and vice versa. This involves looking at issues from every angle. At the moment, I would observe that the dialogue is sometimes unproductive. NGOs and sometimes governments assume venality on the part of business, and business leaders in turn assume that NGOs and governments are exaggerating for effect.

Perhaps we should develop the ability to stand in each other's shoes. We need the CEO to understand why NGOs and governments argue the way they do, and why governments set policy the way they do. If a CEO were the leader of an NGO, the president of a country, or a treasury secretary, would we not do the same? NGOs and advocacy groups of all kinds have an incentive to put their case in a forceful way. They need to define a problem; they need to get publicity.

And if a CEO is ever tempted to rail against an NGO, it is worth remembering that all over the world, NGOs are very highly trusted. Globally, 54% of all 35- to 65-year-olds trust NGOs to do what's right – not CEOs. Maybe CEOs need – before they get the top job – to have spent some time in a not-for-profit organization or maybe even in government. Or maybe an alternative would be to mandate that CEOs serve on the board of such organizations. What is required is that CEOs work with governments and NGOs to propose solutions, not for each side to retreat to its corner.

But let me talk about the flip side. The voice of business needs to be heard, too. But again, the hard question is how? Today, there are country-specific corporate organizations like the Business Roundtable and the Chamber of Commerce that we have here in the United States. And there are many organizations that mirror these two organizations in many countries of the world. The hope is that the voice of business is being heard in individual countries. After all, business is the engine of the economy.

But how should large, multinational corporations which operate in multiple countries speak with the leadership of multiple countries in a coordinated way? Do we need a guiding coalition, a representative forum in which the views of the business world are shaped and then conveyed in a coordinated way to this leadership? Should there be, for example, a G-50 of global corporations – not fragmented bodies, but one organization that represents the point of view of global enterprise, perhaps in discussion with the G-20?

There is a real need to invent a new forum where private enterprise, governments, and NGOs can all come together to address issues in a constructive way. Clearly the existence of this body also implies that a CEO should be willing to speak up on issues. The impetus for this may have to come from boards of directors, and I'm the first to tell you that this is not without its risks and needs to be thought through very carefully. But I think it's time that boards of directors start encouraging CEOs to speak out on issues and participate in policy creation.

Let me now turn to the third aspect of being a CEO of tomorrow. And this relates to the common phrase, "Think global but act local." I'm sure all of you have heard this being talked about a lot. In fact, I'm sure many of you are tired of hearing about it. Many CEOs of multinational companies actually live this every day. But the new world requires CEOs who preside over global corporations to take this line to a totally new level. Let me just offer you some numbers.

Fifty percent of humanity now lives east of the Middle East. Those countries are growing the fastest – both population-wise and economically. In January of this year, China overtook Germany to become the world's third largest economy. Already, one in three people in the world lives in China or India. In this new world, the task of acting local requires – especially for those in the West – acquiring profound, new knowledge. It requires a new way of comprehending the world, because in this new world, power is based not just on Western democracy but on other forms of government, too.

The shift is from a culture rooted in Judeo-Christian ethics to a culture rooted in other religious or sometimes no religious ethics. These are societies in which church, judiciary, and state are separate entities and countries in which they are combined. It's a vastly new and different world, a world which is big enough for Plato and Confucius and a world that's big enough where the Bible can coexist with the Bhagavad-Gita.

I do not think it would be possible to do good business in most of Asia, for example, without a deep understanding of their age-old culture and issues. And traditional Western global business models cannot be exported, as opportunities and problems there are local and have to be addressed this way. I believe it will be very hard for CEOs of tomorrow to be successful unless on the way up they have spent a significant amount of time overseas, ideally a meaningful amount of time living in emerging Asia, to understand the culture from the inside. You know, Mark Twain once said, "Until a visitor becomes a resident, it is impossible to have an accurate understanding of a place or its people."

Turning now to the fourth requirement of the modern CEO, the CEO has to keep learning. In Plato's *Republic*, Socrates learns by asking probing questions and listening. That is the way we have to learn in the little republic of the corporation. We have to encourage debate, foster a culture of dissent, and welcome uncomfortable input. We need learning to be a mutual process in which employees learn from this whole change too. The reason we need to act as if we are constantly back at school is that the world we do business in is changing ever so fast.

It’s interconnected more than ever before – that’s not news to you. What happens in Beijing is known in Boston in seconds. Technology is changing the way people interact. Social media is altering the lives of billions of our consumers. We are living in a world which Marian Salzman calls a “transformation nation.” And I don’t think we’ve begun to explore its potential.

The social environment we operate in is changing, too. We need to make sure that as good companies, we reflect the society that we live in. Diversity and inclusion have to be taken to a new level. It needs to become multitalented, multicultural, multiregional, multi-ethnic –and most importantly, multigenerational. No group in society can or should be excluded.

You know, in PepsiCo – just talking a little bit about our company – I look at the amazing diversity of our Executive Committee. We have 29 people in the Executive Committee. We have a Sudanese leading Europe, a North American as a vice chair, an Italian who is leading North American beverages, a Middle Easterner runs Asia, and I don’t even want to talk about the CEO.

That diversity is what keeps our company grounded and helps us make market-based, sensible decisions. And diversity helps us keep abreast of the changes. It is always tempting to project the present forward into the future, but it is usually an error. The wave of the future would wash away part of the past because the populations we are serving are changing.

One out of every 10 persons is now 60 years and above. By 2050, one out of five will be 60 years or older. And every region of the world is different. One out of five Europeans but one out of 20 Africans is 60 years or older. In the emerging markets, a full 760 million people, or 25% of the population, will be under the age of 20 by 2030.

So CEOs need to get off the executive floor and start talking to people of all generations, not to pass judgment but to learn their language, learn how they see the world, and learn how their thinking will profoundly change the way we do business.

I want to talk a little bit about a recent experience I had at PepsiCo. I run a little session there called slice meetings. I ask people to sign up to have an hour with the CEO, and every time 10 people sign up, I sit down and they spend an hour with me. And I do maybe five or six of these every month.

A group of Millennials got together and signed up as a Millennial group because they didn't want their voice to be diluted by the older people. And what was fascinating was the thoughts, the comments, the ideas I got from everybody else was one way, then when I heard from the Millennials, it was completely different – completely different.

And I realized then that the great *Fortune* magazine cover had just come to reality: You gave birth to them; now you manage them. It's true. I see my daughter 25 or older and I have to manage her. My God. [Laughter.] But it's a profound new world.

A month ago I started a blog within PepsiCo. I'm terrified about blogging, because I don't know anything about this world of blogging. I don't know what to say. I don't know how it will be interpreted. And, you know, I've watched my kids. They're on Facebook, they're blogging, they're Twittering. They're doing this like it's second nature to them.

How am I going to learn about this changing world? Am I going to become antiquated in the next few weeks or months? [Laughter.] It terrifies me, I'll be honest with you. It terrifies me, but this is part of the learning CEO, and there is just so much I have to learn.

And I think CEOs of the future cannot afford to do business the old way, because in all of this change it is easy to get passed by. Every generation struggles with the technology that is second nature to its children. The research tools we use, the measurements – you know, methods we deploy – they're all in need of revamping, and we need to commit to serious retraining programs for all our people who need them.

And as CEOs, we all have to go back to school to keep up with these trends in real time, because if we don't do our job in making these changes, we risk creating an intellectual chasm and a business model that quickly loses relevance.

And the final, fifth point of the CEO of the future, the CEO of the future has to show deep emotional intelligence. He or she has to lead with their heart as well as their head – the right side of the brain in concert with the left side.

Motivating, inspiring, and holding onto the best of the best requires CEOs to truly understand their employees. Each person, each cohort has unique needs and wants. They are no longer just a group of employees.

Let me give you an example of what I mean. By far, the best thing that I have done at PepsiCo for – if I go back my 2-1/2 years as CEO, the one thing that I feel great about happened about a 1-1/2 years ago.

I went to visit my family in India, and I walked into my home, and a lot of people came to visit me, to see this person who suddenly, you know, reached a position of fame. They'd walk in, say hello to me, and then go to my mom and say, you brought up your daughter so well. What did you do? What did you feed her? [Laughter.] You know, they just talked to me for 10 seconds and then just went on.

And I said, wait a minute, why did I dress up, you know? Why am I sitting here like a statue and people are just going by me? And it occurred to me that I was a product of my upbringing, and my parents had a lot to do with who I am, just as my family today, my husband and my children, have a lot to do with who I am.

But I take my husband with me on events – he is here today – so he hears about me, my children hear about me, but parents don't hear about their children. The last report card they got was when the kid was in college.

So I came back and I wrote letters to every one of the parents of my 29 Executive Committee members, mother or fathers or parents. I wrote to them, I told them about who I was, why I was writing to them, and I told them about what their son or daughter was doing at PepsiCo.

I said, you know, your son, Larry – let's take Larry Thompson here. I wrote to Larry's mother. I said, I want you to know your son Larry is my general counsel, my right-hand man. I said, I couldn't survive in PepsiCo without Larry Thompson. And I ended by saying, Dear Mrs. Thompson, thank you for the gift of Larry. [Applause.] Everybody is thanking us for the gift of Larry. [Laughter.]

But I wrote this letter because I felt as a mother myself I would love to get a letter like this when my kids grow up. I did not expect to see the outpouring of emotion that came when that letter went out. Every parent wrote back emotional letters saying, I have never received a report card on my child ever since the child graduated from college. [Laughter.] Thank you.

Now, I didn't stop. It wasn't a one-time event. Every 6 months I would write to them, and last week – [laughter] – no, no, it's a very nice letter. No, come on, come on, I don't attach the PDR with them, no, no. [Laughter.] But last week I sent them all the annual report.

We published our annual report, and I think on page 24 there is a picture of our entire Executive Committee. So I sent the parents the annual report and I said, you know, here is the annual report. Your son or daughter is proudly featured on page X. I hope you enjoy reading this annual report.

Mothers called me to say, this was the best Mother's Day gift I got. [Laughter.] I am so proud of my son or daughter. I mean, it had bound our employees a lot more to PepsiCo than ever before. And I'll tell you one last story, but don't try this yourself, because it doesn't work. It worked for me because I'm kind of weird this way.

We had an employee we were trying to hire, a partner from McKenzie – just a brilliant guy – and he had an offer from another company that was paying him a lot of money and he was sort of tilting towards this other company, but I wanted him in PepsiCo.

So I said, look, I don't want you to go to the other company; I want you to come to PepsiCo. And he said – he was trying to give me all the reasons why he had to go to this other company. And I said, give me the number of your mom. [Laughter.]

He gave me the telephone number of his mom, and I called her up and said, Mrs. So and So, your son is looking at these two offers; let me talk about myself. [Laughter.] I talked to her for about an hour and – [applause] – I've got to tell you, he joined PepsiCo. He's doing great. And he said to me, I don't know what you told my mom. She harassed me. [Laughter.]

You know, but my goal was not to harass. My goal was to tell his mother that she was as much part of PepsiCo, because I knew that the person I was recruiting was a family person and loved his parents – his mother; his father had passed away – because he talked about his mom during his interview with me, and I felt that if I welcomed his mom into PepsiCo, he would feel even better at PepsiCo. [Laughter.]

And, I've got to tell you, other people have tried this, other CEOs have tried this, have all called me and said, it has been simply an outstanding experience because it has unleashed emotions, the kind of which they've never seen.

Why do I say all this to you? I often say that employees need to be able to bring their whole selves to work. For example, a mother is a mother, whether inside the company or outside. To get the best out of her, companies have to holistically address her issues. Childcare, for example, may not be an option anymore but a requirement. Similarly, flex hours or work from home options may all have to become necessary if you want to attract and retain the best of the best.

And CEOs of the future have to remain completely open-minded to all of these options. In fact, I'd argue that we have to go back and revamp our organizational health surveys, our 360-degree feedback processes. And all of these sessions we do, they have to be rethought and revamped because we now have to assess the emotional bond that employees feel to the companies, because unless we have that emotional bond, companies cannot be successful. People won't look at it as an extension of their families.

And I think of all of these characteristics of CEO that I've talked about, this is the hardest to train for. We all know about the intellectual intelligence of the job of the CEO requires. On that score I'll leave it to you to judge how well we are doing as a group of CEOs. Well, we need to add an emotional intelligence too, because even the CEO has to bring her whole self to work.

I started this section on the CEO by saying that the summary of what the CEO has to do is to marry performance with purpose. I want to end it by describing how they can do that.

The central skill of the new CEO is, in my view, adaptability. In his excellent new book, "*The Age of the Unthinkable*," Josh Ramo cites the philosopher Isaiah Berlin, and Isaiah Berlin makes a famous distinction between the hedgehog and the fox.

The hedgehog knows one big thing and sees the world through its prism. The fox knows many small things. His cunning lies in his ability to absorb a lot of information and to be curious about the world around him.

The book concludes with the same message I'm giving you today: This is the era of the fox. This is an age in which curiosity and resilience matter more than certainty. In uncertain environments, it isn't any specific asset, intellectual property, or competitive position that matters most. Rather, being adaptable and nimble are the characteristics that will separate the winners from the losers over the long term.

Instead of trying to plan for every possible eventuality, the modern leader has to look at the wider context and try to shape it. It's a fascinating challenge and one which I'm not sure we encounter anywhere in our conventional business training.

This is an evolution of the job description for the CEO of the future. So the places that young businesspeople go to train, the business schools, need to start approaching the task in a fundamentally different way. Curriculum and teaching methods need to change to reflect the new reality. For one, business schools have to fully embrace the notion of public and private management.

You know, way back in 1976 Yale began a School of Management, and it was not a traditional business school. It emphasized public and private and nonprofit sectors. It taught all its graduates to fully understand the roles of all three sectors and the intersection points. And the degree that was awarded by Yale then was the MPPM, Masters in Public and Private Management. And I know that, because I received the MPPM from Yale.

Over time, due to market pressures, Yale, too, began to call its degree the MBA, but its curriculum focus on public and private management has remained. I think change has to come to all business schools. Casework has to be developed and taught by faculty from multiple areas.

We need the business academics to give us a traditional business perspective. Maybe the divinity professor should come in and talk on the religious aspects of a case. Legal scholars could come in and look at it from their point of view.

A demographer may need to talk about how the flow of people into countries is changing. Perhaps a political scientist should come and talk about how the regime in place could impact business. Perhaps a psychology professor should come in and talk about emotional resilience and techniques of adaptation. And maybe all these professors have to come together to teach one case.

This is the true power of large universities, and it has not been tapped as yet. I think new case methods have to be developed, and this has got to form the foundation of the new business school curriculum.

And to augment in-class teaching, perhaps students should be required to do an internship in a sector different from the one which they came from. Maybe even a semester of the four semesters of business school should be done in an international setting.

And, who knows; maybe we should encourage MBAs to do a 1-year stint in a service corps in an NGO after they graduate to truly understand issues though a perspective which an MBA rarely worries about once the corporate climb begins.

And lastly, maybe the time has come to stop measuring the success of business schools by the starting salaries of their graduates. I don't know what the new metric is, but that we need a new yardstick is amply clear.

You know, seeing the precise nature of the change we need is always the hard part. I am too aware that I don't have the answers, and I look forward to continuing dialogue with you. So let me close by saying this has been a wide-ranging speech. I have tried to encompass a lot, but let me leave you with a central thought.

The way we have been doing business has had many virtues. Indeed, many of these virtues remain. But we are at a crossroads. Whenever it seems that solid things have melted into air, there is a moment for reflection and a moment for recreation.

Capitalism has amazing powers of recovery, but we all need to accept that the pursuit of short-term performance is not enough. That performance needs to be allied to a purpose. Otherwise, as we have seen, performance disappears too. We all, CEOs of today, members of boards of directors, are under an obligation to change from the short-term view to a sustainable view.

We can indeed convert this crisis into a great opportunity. But if we are to do that, it's no use looking at ourselves in the mirror without realizing that the person with the responsibility to lead the change is staring right back at you.

Ladies and gentlemen, thank you for your time and attention. It's been a real privilege speaking with you.

[Applause.]

QUESTIONS AND ANSWERS

MR. RUBENSTEIN: We'll have some questions. [Continued applause.] Well, thank you very much, Indra. This was our eighth speaker this year and our first standing ovation.

[Laughter.]

MS. NOOYI: Oh, gracious. Thank you very much.

MR. RUBENSTEIN: We have time for a few questions. One question is, when you joined Pepsi, did you think it was possible for a woman or someone born overseas to become CEO? Was being CEO your ambition? And have you ever thought after Pepsi of going into full-time public service?

MS. NOOYI: I'll be honest with you: When 2-1/2 years ago I was appointed, I was named CEO in August of 2006, and if you'd asked me in July of 2006 if I thought I was going to be CEO, I would have said I didn't care. I was having a great time being president and chief financial officer, and I was focused on doing that job very well. And when somebody called me in and said, you're going to be CEO, I said, okay, I'm going to be CEO. But that was never something I was working towards. I was just focused on getting the job done right.

In terms of my future, at this point, David, I'm having a wonderful time running a great company, and I intend to do that for many, many years, or as long as my board wants to keep me in the job. [Chuckles.]

And at some future point I definitely want to go into public service. I've said so publicly that I think the United States has given me an enormous opportunity and I want to give something back to the country.

So get ready, Washington, I am going to be here. [Laughter, applause.] But let me be clear. Let me be clear. I do not want to be in the political side. I just want to do something, anything that the country wants me to do to help the country, address any issue that the country wants me to address. That's my only goal.

MR. RUBENSTEIN: Okay. One comment I would make is that 60 is the old – the new 50, I should say, so for those of us who are about to be 60 – and you mentioned the 60 statistic – that should probably be an 80 number. [Laughter.] Sixty is relatively young, but you're not even close to that, so you've got a long way to go.

Let me ask you another question that's been submitted: Over the past 18 months the global economic slowdown has obviously affected all American companies and all companies around the world. How have you adapted to the economic slowdown? What have you specifically done to change your company to adapt to these problems?

MS. NOOYI: Well, you know, there's good news and bad news. The good news is that even in a global economic slowdown or global recession, people have to eat and drink. And people in fact stay home and eat more at home. So, in a way, the slowdown does not impact food and beverage companies as much. That's the good news.

The not-so-great news is in these tough times people tend to trade down, so they look for real value and they look for products predominantly on deal, and they shop very differently. So what we've had to do is retool our product line, rethink the ticket prices of what we offer to the consumer so that if somebody has only $10 at the beginning of the month to spend on snacks and beverages, we have to make sure that we can provide enough for 2 weeks within that ticket that they have to spend on products.

So we've had to rethink pricing strategies, packaging strategies enormously, and within the company we did tighten our belt ahead of most companies – we did it in October of last year – to create some breathing room to reinvest back in these difficult times, so that we emerge from this recession much stronger and able to gain significant share long-term.

MR. RUBENSTEIN: Okay. The next question is, do you ever get involved in the testing of new products and drinks, and what is your hit ratio in deciding whether something is going to be good or not? [Laughter.]

MS. NOOYI: The greatest part of this job is that you get to taste everything. I mean, at a typical innovation plan meeting I might test a hundred new Frito Lay snacks and maybe 50 new beverages. And if 10 of those products go live the next year, I would be surprised, not because the other 90 were not good.

I wish we could launch all hundred, but the supermarkets only give us a finite amount of space, and we have to decide what will end up with the highest velocity, and therefore we have to pare back the products. I would say in PepsiCo we have enough innovation for the next 5 or 10 years. If markets don't change too much, we could just keep launching these products for the next 5 to 10 years.

MR. RUBENSTEIN: How has being one of the most prominent women in the world affected your day-to-day business career, and how has it affected – adversely, positively, or not at all – your role as CEO of Pepsi?

MS. NOOYI: I think the biggest downside, David, is that, you know, you lose your sense of person. I mean, my kids always complain that I'm always worried about talking too loud outside. Or if the kids yell at me, I say, don't yell; somebody might listen and say something about me because everybody knows who I am. So we can't be normal. That's not a good thing.

I think being a foreign-born woman running a corporation puts even more pressure, because I get a hundred requests to speak and we turn down a hundred of them because there is just no time to run a company and do all these engagements.

And then people get mad. They say, you’re a role model. You’re a mentor. Why don’t you come and speak to us? Or, you know, you don’t support women’s causes and you’re a woman CEO. I do. I support tens of them, but I can’t do the 11th, 12th, and 13th. But it’s very hard to explain to the people you turn down.

So the expectations are very, very high, and I’m afraid that I cannot live up to all of them, because there’s only 24 hours in a day. I want to spend most of my time in PepsiCo and then I do want some time to spend with my family. I think my husband and kids have been shortchanged quite a bit, and sometimes I like to make it up to them.

MR. RUBENSTEIN: Okay, we have time for one more question that’s been submitted. There’s another beverage company in Atlanta – [laughter] – and how do you regard your competition with that company these days, and how has it evolved since you have been CEO of Pepsi?

MS. NOOYI: Well, who is that company?

[Laughter.]

MR. RUBENSTEIN: Uh, I can check the name.

MS. NOOYI: Let me, let me – I think it’s a great question. The first thing you’ve got to understand is PepsiCo is not a beverage company; PepsiCo is a diversified food and beverage company. As you mentioned earlier, David, beverages are less than a third of the company’s portfolio. Frito Lay is one of the biggest parts of the company. Quaker Foods, Gatorade, Tropicana; these are large parts of the company.

And I think the two of us are similar in some ways, but we are much bigger. We have a more diversified portfolio. And we are a company that truly believes in performance with purpose. And I think if you want to talk about the big differences between the two of us, I would say – and you might say I'm biased but I'd like to believe I'm objective.

I would like to say that PepsiCo has a soul, PepsiCo believes in the license that we have from society and that we have to give back to it, and PepsiCo is truly committed to being viewed as the good company – good not just in the commercial sense but good from an ethical sense. And I think that's what really differentiates us from any other company in Atlanta.

MR. RUBENSTEIN: Okay, thank you very much. [Laughter, applause.] Thank you very much. Indra, thank you very much for a very inspiring and memorable speech. We appreciate it very much. We are adjourned. Thank you all for coming.

Indra Nooyi

Indra Nooyi is Chairman and Chief Executive Officer of PepsiCo. Mrs. Nooyi leads one of the world's largest convenient food and beverage companies, with 2008 annual revenues of more than $43 billion. The company's products are sold in approximately 200 countries, and it employs more than 198,000 people worldwide. Its principal businesses include Frito-Lay snacks, Pepsi-Cola beverages, Gatorade sports drinks, Tropicana juices, and Quaker foods. In total, the PepsiCo portfolio includes 18 brands that generate $1 billion or more each in annual retail sales.

Mrs. Nooyi is the chief architect of PepsiCo's multi-year growth strategy, *Performance with Purpose*, which is focused on generating robust financial returns from designing products for and finding sustainable ways to give back to communities the company serves. *Performance with Purpose* is premised on offering food and beverages that provide responsible nourishment, minimizing impact on the environment, and creating a diverse and inclusive culture that attracts, develops, and retains the most talented people.

Mrs. Nooyi was named President and CEO on October 1, 2006, and assumed the role of Chairman on May 2, 2007. She has directed the company's global strategy for more than a decade and led PepsiCo's restructuring, including the divestiture of its restaurants into the successful YUM! Brands, Inc.; the spin-off and public offering of company-owned bottling operations into anchor bottler Pepsi Bottling Group [PBG]; the acquisition of Tropicana; and the merger with Quaker Oats that brought the vital Quaker and Gatorade businesses to PepsiCo.

Prior to becoming CEO, Mrs. Nooyi served as President and Chief Financial Officer beginning in 2001, when she was also named to PepsiCo's board of directors. In this position, she was responsible for PepsiCo's corporate functions, including finance, strategy, business process optimization, corporate platforms and innovation, procurement, investor relations, and information technology.

Between February 2000 and April 2001, Mrs. Nooyi was Senior Vice President and Chief Financial Officer of PepsiCo. Between 1996 and 1999, Mrs. Nooyi was Senior Vice President of Corporate Strategy and Development.

Before joining PepsiCo in 1994, Mrs. Nooyi spent four years as Senior Vice President of Strategy and Strategic Marketing for Asea Brown Boveri, a Zurich-based industrials company. She was part of the top management team responsible for the company's U.S. business as well as its worldwide industrial businesses, representing about $10 billion of ABB's $30 billion in global sales.

Between 1986 and 1990, Mrs. Nooyi worked for Motorola, where she was Vice President and Director of Corporate Strategy and Planning, having joined the company as the business development executive for its automotive and industrial electronic group. Prior to Motorola, she spent six years directing international corporate strategy projects at the Boston Consulting Group. Her clients ranged from textiles and consumer goods companies to retailers and specialty chemicals producers. Mrs. Nooyi began her career in India, where she held product manager positions at Johnson & Johnson and at Mettur Beardsell, Ltd., a textile firm.

In addition to being a member of the PepsiCo board of directors, Mrs. Nooyi serves as a member of the boards of the International Rescue Committee, Catalyst, and Lincoln Center for the Performing Arts. She is a Successor Fellow of Yale Corporation and member of the Board of Trustees of Eisenhower Fellowships, and she currently serves as Chairman of the U.S.-India Business Council.

She holds a BS from Madras Christian College, an MBA from the Indian Institute of Management in Calcutta, and a Master of Public and Private Management from Yale University. Mrs. Nooyi is married and has two daughters.