

THE ECONOMIC TIMES

Rewriting rules of corporate game

PepsiCo's Indra Nooyi And Novartis' Daniel Vasella Discuss Challenges Before Post-Crisis 21st Century Corporations



THE NEW CEO HAS GOT TO BE A WONDER KID BECAUSE THEY HAVE TO BUCK THE HISTORIC TREND AND MANAGE THE FIRM FOR THE LONG TERM, NOT SHORT-TERM HIGHS.

INDRA NOOYI
CEO, PEPSICO

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CEO, NOVARTIS



Almost a decade into the 21st century, the modern corporation stands shaken and humbled. For the millions of investors around the world who've lost trillions of dollars, their faith in capitalism has been rudely challenged. Where does enterprise and ingenuity end and where does corporate greed start? That's the question investors, and even regulators, are asking. But how should one define the 21st Century Corporation? What will its salient features be? And what sort of leadership will it require? To answer these questions, ETNOW brought together two of the world's best-known CEOs, Indra Nooyi of PepsiCo and Daniel Vasella of Novartis, for an exclusive roundtable. Excerpts from the talk, moderated by ET NOW's R Sridharan.

ET: Indra, let me start with you. What's your conception of a 21st Century Corporation?

INDRA NOOYI: The times today are unprecedented. This is the first time I know in modern history where trust in corporations is really very low, and trust in CEOs is even lower. And the time has come for us to rethink what is the role of corporations; what is the role of the

partnership between governments and corporations, and how we are going to address all the issues of the world, because corporations can make things happen. Governments can set policy to make things happen. So, unless these two sides work together, I am not sure we can address the issues. So, when

we talk about the new face of capitalism, it can no longer be companies making money at the risk of tossing cost to society. We have to think about it in a much more holistic way.

DANIEL VASELLA: Indra has said it perfectly. No question that the responsibility goes way beyond just making profit. But having said that, I am absolutely convinced that performance will remain a key, and we will have to continue to deliver good results. The question is, at what cost and within what framework?

ET: Has the crisis of the last two years changed your approach to business or the way you manage your corporations?

VASELLA: No, not really. Of course, you learn, but what do you learn?

SEPARATING GREED FROM WEALTH CREATION
PAGE 5

THE ECONOMIC TIMES

NOOYI VASELLA



Separating greed from WEALTH CREATION



The next generation leaders are confronted with a rapidly changing world. Helping them in their efforts to manage several things at the same time, companies are offering them rotational assignments, multiple training programmes and giving them experiential learning

► Continued from P1

ET: Has the crisis of the last two years changed your approach to business or the way you manage your corporations?

VASELLA: No, not really. Of course, you learn. You get to know that people always form theories when things do not go the rational way. So, there is no reason why this time it will be different. I think it comes back to what are we here for, what are we doing in society, and the greed. It's not just the greed of the shareholders... everybody wants more, every quarter, like a never-ending story. It just does not work this way.



ET: So, Indra, have you decided to push back a little in terms of pressure from shareholders? Are you doing anything different now?

NOOYI: PepsiCo is a company that has always had a soul. There are a lot of excellent values in the company. Three years ago, when I became CEO, I decided to make explicit those values as opposed to just letting it be there, and developed a corporate direction, which was called delivering performance with purpose. So, we are not

saying performance or purpose. The way we define purpose is such that you could not deliver performance without delivering on purpose. For

example, the first plank of purpose was how do we transform our portfolio? So we have a range of products from treats to healthy eats. Now, that's critical because population is changing, eating habits of society are changing. So to prevent any sort of food-related issues that happened to the population, we wanted to be ahead of the curve and change the portfolio, knowing that it's good business, and if that is good business, the performance improves.

ET: Dan, in the case of Novartis this must be an even bigger challenge because people can choose to buy or not to buy a PepsiCo product, but in your case everyone needs medicines, it is not a choice.

VASELLA: It is much easier, I would say, because the purpose is so crystal clear. We are here to help so that physicians can improve the lives of patients, the quality of life or even save lives in some cases. We give away medications for leprosy and malaria (last year Novartis gave away medicines worth more than a billion dollars), and we have saved over 200,000 lives. And to know that gives you a lot of purpose. Then, of course, the question is, is this enough? Is it enough to work in the interest of just the patient? No, it is not. We all also need to be competitive and to grow in a sustainable way and we need to be transparent because what Indra said about being a player in society, being transparent helps you avoid stupid things.

ET: But when you tell analysts or shareholders that I am going to give away drugs worth \$1.26 billion, how do they react?

VASELLA: You would be surprised, nobody protests.

NOOYI: We should not forget that shareholders and analysts are people too. They are mothers, fathers, daughters, husbands, wives, citizens of the community, and when they go to their workplaces, they do not park themselves at the door and say I am going to go in and beat somebody else and pick myself up.

ET: But let me be the Devil's advocate here and argue that it's precisely this sort of animal spirit that's the force behind wealth creation. If there weren't people pushing you guys, PepsiCo and Novartis wouldn't be the great companies they are.

NOOYI: But separate wealth creation and greed creation. There is a fine line here. You can create wealth, but does it have to be excessive wealth? Isn't that what brought this downfall? How much is enough? And when greed takes the better of you, you do things that will cause your downfall at some point.

VASELLA: If you are driven just by the outside, it would not work. And, frankly, I would assume that for many of us, the money is more a grading of the performance. The drive has to come from within, and we choose people the same way. We want people who are ambitious, who want to perform, and who want to succeed.

ET: I think it was Peter Drucker who said that management is about doing things right and leadership is about doing the right things. Is that what the new CEO is all about?

NOOYI: I think the new CEO has got to be a wonder kid because he or she has to buck the historic trend and manage the company for the long term, not the short-term highs you get from

the company. The new CEO has to be truly global, but more than that, the new CEO especially in our industry has to think global and act Asian because half of humanity lives east of Middle East... tall order. The CEO of the future has to not just be analytically driven, but has to emotionally connect with all the people.

ET: In fact, Drucker also said that if it takes a genius to run a corporation then it means the management is in trouble. So are we expecting too much from the CEO?

VASELLA: You have to look at people who complement your skills. I do not believe I have all the skills that are needed. I have other people who are much better at certain things. So, it's important to have diversity in the management team, different thinking, different ages, different backgrounds, and also to look for that at the board level.

ET: Indra, how are you grooming the next generation of leadership at PepsiCo?

NOOYI: It is the most difficult job, because the world is changing so rapidly. So, we are trying to do several things at the same time. One, give people rotational assignments so they actually understand the issues on the ground. For others, for whom we do not think rotational assignment makes sense, give them experiential learning so they can get familiar with key issues. The third way is through multiple training programmes. But at the end of the day, it is up to the individual, because if an individual decides that they really want to be a global thinker, they want to be part of the leadership. C-suite of a big global enterprise, they will do their reading, they will do their travelling, see where the issues are, and learn first-hand what is going on.

INDRA NOOYI

DANIEL VASELLA