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CONVERSATION WITH INDRA NOOYI AND DAVID BRADLEY

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CONVERSATION WITH INDRA NOOYI AND DAVID BRADLEY

MS. BOONE: Ladies and gentlemen, if we could get started again. Ladies and gentlemen? I could whistle. It's loud. If I could get your attention. Thank you. Out of courtesy for the rest of our speakers, if you could take your seats. We're going to try to move people in from the lawn and Paepcke Auditorium as people leave this afternoon.

Everybody, all right, I'm going to start. One of the themes across our week as we imagine 2024 is the future of work, and one of the hardest challenges in American business is to run a longstanding corporation and build it for the 21st century. And to address the complexities of running a large corporation in America and the challenges we have with our economy, please welcome David Bradley interviewing Indra Nooyi, chairman and CEO of PepsiCo.

(Applause)

MR. BRADLEY: Good afternoon. I hate to begin with – by creating envy, and I'm not certain of this, but I've – we've been backstage, I think we just saw Governor Jerry Brown. I can't tell you how exciting that was for us.

(Applause)

MR. BRADLEY: What have you guys been doing? Anything going on out here? So let me do this introduction again. Aspen, I would like you to meet Indra Nooyi, who is the chairman and CEO of Pepsi –

MS. NOOYI: PepsiCo.

MR. BRADLEY: – PepsiCo.

(Applause)

MR. BRADLEY: And Indra, I would like you to meet Aspen. What you have here is a representative sample of any small mountain town in Colorado.

(Laughter)

MR. BRADLEY: Let me do a -

MS. NOOYI: You know, you're sure this is not a plot against CEOs? You start with Drew Faust, the amazing Drew Faust. You go on to the spectacular Secretary Clinton, and then you have Al Gore and Tony Blair following. What am I here -

MR. BRADLEY: I don't recognize the names. Do it one more time.

(Laughter)

MS. NOOYI: This is a tough act to be here.

MR. BRADLEY: We are so privileged to have you here. Let me give you all of Indra's life -

(Applause)

MR. BRADLEY: I'm going to give you all of Indra's life in 1 minute since we have reasonably little amount of time. I'm going to start by introducing her husband Raj Nooyi who is here in the front row.

(Applause)

MR. BRADLEY: And then let me tell you this story. So Indra was born to a conservative Brahmin family in southern India. She excelled at high school and she overwhelmed college. She got a B.A. in math, chemistry, and physics at Madras Christian College. And then she stepped out of the normal course of things for a young Indian girl. She came to the United States, went to Yale School of Management, took a job with a Boston consulting group almost as if by transition to a large global corporation, Life. And 20 years ago she joined Pepsi in the strategic planning area, and 8 years ago she became chairman and CEO of the company.

She is driven. Famously, she gets 4 hours of sleep a night. She had a reputation earlier in her life of being a young hippy. She was in a girl's rock band and then she has been spotted walking in bare feet in the Pepsi offices. And she says that she has music in the back of her head going on and hums in stressful moments. She's also on every list of the most powerful women in the world. So Indra, originally I was scheduled to interview General David Petraeus. You wouldn't want to talk about predator drones, would you?

(Laughter)

MS. NOOYI: Yeah, absolutely. I think it's a great topic. Actually we are looking at drones to deliver Pepsi and (inaudible) products to homes -

(Laughter)

MS. NOOYI: - because our belief is predator drones are not so good, peace drones are good. So if you really want Pepsi sort of instantly, just call up for it online and we'll send it to you by drones.

MR. BRADLEY: Can I tell you how unhappy the Pakistanis are with this opening comment?

(Laughter)

MS. NOOYI: Actually I think they prefer Pepsi to bombs.

MR. BRADLEY: So Indra, you run a company with 300,000 employees, almost \$70 billion in revenues. You come home one day as president of the company, just appointed, and your mom is not that impressed. Will you tell that story?

(Laughter)

MS. NOOYI: You know, this was about 14 years ago, and I was working in the office. I work very late and we were in the middle of

the Quaker Oats integration or the acquisition. And I got a call at about 9:30 in the night from the existing chairman and CEO at that time, and said to me that, Indra, we're going to announce you as president and put you on the board of directors of PepsiCo. I mean, I was overwhelmed because, you know, look at my background, where I came from.

To be president of an iconic American company, and to be on the board of directors, I mean, I thought was just – something special had happened to me. So rather than stay and work till midnight, which I really would have done because I had so much work to do, I decided to go home and share the good news with my family. So got home at about 10:00, you know, parked the car, got into the garage, and my mother was waiting at the top of the stairs.

And I said to mom, I've got great news for you. And she said, well, let the news wait. Can you go out and get some milk? I said to mom, look, I looked in the garage, looks like my husband is home. What time did he get home? She said 8:00 o'clock. I said, why didn't you ask him to buy the milk? Because he's tired, okay? He is tired.

(Laughter)

MS. NOOYI: He is tired. We have a couple of help at home. Why don't you ask them to get the milk? She said because I forgot. I said, okay, fine. She said just go get the milk. We need it for the morning. So I – like a dutiful daughter, I went out and got the milk and came back. I sort of banged it on the counter and I said, I had great news for you. I have just been told that I'm going to be president and on the board of directors.

And all that you want me to do is to go out and get the milk. What kind of a mom are you? And she said to me, let me explain something to you. You might be president of PepsiCo, you might be on the board of directors, but when you enter this house, you're the wife, you're the daughter, you're the daughter-in-law, you're the mother, you're all of that. Nobody else can take that place. So leave that damn crown in the garage.

(Laughter)

MS. NOOYI: And don't bring it into the house. Now, I have to tell you, David, I've never seen that crown.

(Laughter)

MS. NOOYI: I've never seen it. Between my husband and my kids, they've hidden it, so I haven't seen it ever.

MR. BRADLEY: Now that you look back, Indra, could you see that your mother was ambitious for you? Was she ambitious for you? And how did she convey either ambition or the possibility that the world was your oyster?

MS. NOOYI: You know, we grew up – my sister and I, I have an older sister that's knows to many people here, and very smart, a year older than I, and myself. And we have a much younger brother. The two of us grew up in a very, very strict, conservative family. My mother never went to college because her parents didn't have the money to send her to college. And she was very smart. So she lived her life vicariously through the daughters. She would ask us to dream and be whatever we wanted. At the same time, she would say, at 18 I'm going to find a guy and marry you off.

So it was this constant conflict at home. She's going to find a guy and say you've got to marry him. The same time she says "dream big." Every night at dinner we would sit down and we would eat first and then my mother would sit down to eat, and she would ask the two girls to prepare a speech on if you were president of the country what would you do? If you were prime minister of the country, what would you do? At the end of the dinner, we had to give the speech and she would decide who she's going to vote for.

(Laughter)

MS. NOOYI: So here is a mom who's suggesting all these and putting us through the paces on these aspirational jobs. At the same

time, she's threatening us to find some vague guy and marry him off to us at age 18. And so we always lived in that fear that that could happen. But I think the men in our family, my grandfather and my father, basically put down their foot and said I don't care if it's girls or boys, they all have to have an equal shot at being whatever they want to be. And we're not going to get them married off at 18. We're going to let them do what they want to do.

MR. BRADLEY: Was there ever a moment when your mother stepped back and said, comments about the crown apart, I can't believe what you've done, Indra, what a wonderful run this has been?

MS. NOOYI: Sometimes. Sometimes -

MR. BRADLEY: Can I say it for you?

MS. NOOYI: Beg your pardon?

MR. BRADLEY: May I say it for you?

MS. NOOYI: Yeah. No, I'm sure she - deep down inside, she's very proud. But I think it's the South Indian Brahmin tradition to always pretend that you're not proud. So she will always hide it and tell me things like don't forget your family, don't forget your husband, don't forget your kids. Don't forget me, don't forget your mother-in-law. That's all she says to me all the time.

(Laughter)

MS. NOOYI: But deep down inside, I'm sure she's very proud.

MR. BRADLEY: Yeah. Let's transition gently to Pepsi. So you have this wonderful approach to see how American tastes are trending. What's new in what we like in beverages and food?

MS. NOOYI: I think American taste in particular are changing in interesting ways. Some things we can understand, some we can't. Clearly there's a health and wellness trend and a health and wellness

focus in all consumers. But what does health and wellness mean is what's a real confusing aspect today. If you'd asked me 5 or 7 years ago, I'd have said people are focusing on zero-calorie products, lower calorie products, and switching away from high-calorie products.

What we're seeing in the last couple of years, people are switching away from diet products because they don't like artificial sweeteners, and I don't know why because there's – nothing has been written about them not being safe. They're just fine. But people are not consuming products with artificial sweeteners. They're going back to consuming real sugar products.

So that's a surprising shift. Another shift we're seeing is people are going to portion control. Smaller cans, smaller servings, and they're reading nutrition labels. Even now, sitting in the back room there, waiting to come back here, I watched somebody pick up an EZEE drink, but before she opened the can, she read the nutrition label. So I find people doing that more and more. People are looking for natural organic labeling, and they're looking for GMO – no GMO labeling.

Now, some of it is just myth because GMO, nothing is wrong with it, and I don't know why people worry about those sorts of issues, but we're seeing people because of the media, because of blogs, afraid of the food system. I think in the U.S. we have one of the safest food supply systems, and the products that are produced in the marketplace are lowering their calorie levels, going to healthier ingredients, but I think consumers are rethinking how they eat and drink.

The trend that surprises me the most, and I'm sure many of you are consumers of this trend, our daughters are, they don't even prepare meals at home by going to the grocery to shop for things. They shop for recipes and they go to Blue Apron or something like that, and if you want to make (inaudible), pick a dish, this service provides for you a tray which has a piece of chicken, a pinch of salt, a pinch of every spice you wanted. And all that you have to do is dump it into a pan in the sequence they told you to dump it into, and all of a sudden you have a great dish.

So people are not going to the grocery store as often as they

should. They are shopping for meals online. They are trying to shift away from the old set of products to a whole new set which nobody can understand why. And they're shopping in interesting ways, local, fresh. So I think we're seeing a profound change in American eating and drinking habits.

MR. BRADLEY: Let me touch on two culture wars, so a quick primer for everyone here, two culture wars that touch on Pepsi. So the first one you would understand readily, which is that there's a company that makes among other products sugar beverages and snack foods, and then there's a concern about obesity and nutrition. That battle was at least inside of Pepsi engaged and decided about 10 years ago. Indra was responsible for the purchase of Quaker Oats for Tropicana, has set a goal for the company of doubling its nutrition foods from \$15 billion to \$30 billion by 2020.

Whether you think the company is moving quickly enough on the spectrum or not, it's definitely moving. But what's interesting is there's a second battlefield, almost a rearguard effort right now. A group of rump investors, largely back in 2012, decided that Indra's focus on nutrition, on sustainability, on the future was a fussy sacrifice to short-term profits. And so a real battle got engaged couple of years ago. Indra, I'm going to ask you what your response to it was, but first could you explain as fairly as you can, what were they saying?

MS. NOOYI: Well, I'll tell you, I think we all live in a world where people are much more focused on quarterly profits than they are on where is the company headed and is the quarterly profit a marker, a mile-marker if you want to call it that, towards that long-term journey. What's happening is that people are worried about the level of returns rather than the sustainability and the duration of the returns. So for example, any CEO that comes into the job can say to themselves I want to run this company for my duration.

So let's say I had come to the job and said I want to be CEO for 5 years. For 5 years, in a big company like PepsiCo, you can cut, slash, burn, make enormous earnings and then let the next person pick up the debris of what you left for them. You can easily do that. Or you can

run the company for the duration of the company, which is for decades to come because PepsiCo is a company that's been around for decades, and it should be around for a much longer time.

And the only way that you run a company for the duration of the company and not the CEO is to invest responsibly in transformation when the world demands a transformation. So when I became CEO in 2006 and then chairman in 2007, I noticed three trends. First, the health and wellness trend was here and here to stay. I realized then that carbonated soft drinks were going to start declining steadily, and we had to retool the portfolio. I realized that we had plans of making Pepsi and other beverages in many water-distressed areas. We generated lot of plastic and that was not very good for the environment and we had to change our model to be more environmentally sustainable.

And also realized that our people were our biggest asset, and we had to change a lot of things about PepsiCo to attract and retain the best and the brightest. So doing all of these things, shifting the portfolio of a large company, making us environmentally more sustainable when we were good at it, but not great at it, but we had to be great. And changing so many things about the talent agenda was not something we could do overnight.

Couple that with the fact that in 2008-2009 we had the enormous financial meltdown, and the focus of the company shifted to the emerging and developing markets when we were a North American company. So we set about making one of the biggest transformations in the history of the company. But through it we performed. Some of these investors came out and said we'd like you to perform at an even higher level. Sure, but if you performed at an even higher level, you would have to sacrifice the transformation. I made a decision with my board that I'd rather do what's right for PepsiCo over the duration of the company, which is decades, rather than doing something that did not have any courage behind it, but was good for me as an individual.

I believe that a responsible CEO should do what's right for the company. I knew it would be unpopular, but I decided to do what's right with the support of the board. And therefore we transformed this

company. We increased the amount of nutritious offerings in the company. We are one of the most water-conscious companies today. We have a phenomenal record on water.

Environmentally, we have an unbelievable record. And we are one of the best places to work for employees in very part of the world. And through it all, we've performed. We have delivered top-tier earnings per share, great shareholder return to all our shareholders. So we feel good about where PepsiCo is today.

MR. BRADLEY: So Pepsi stock is up 50 percent in the last 2 years, but go back before then. Give us one decision that actually took courage where you can remember saying, it may be to Raj at home at night, this one's really going to be tough.

MS. NOOYI: Well, you know, there were many decisions. I think the biggest one was telling our people that we were going to lean in to nutritious products, because remember what we were. We were a company making carbonated soft drinks and potato chips and corn chips, fabulous products. Tasted great, brought a smile on people's lips, but society was changing. And it behooved us to change our business model.

Try telling people who grew up with that business model for 20-30 years that we were going to continue to do - to sell those products, but we were also going to dial up our nutritious offerings. But not only were we going to sell our soft drinks and our, you know, snack products, we were going to reduce the sugar in those soft drinks, we were going to reduce the salt in our snack food products. And this transformation meant we were going to reallocate resources a little differently.

It was not easy. And every night that I came home, I struggled with those decisions because we always had a group of people inside PepsiCo who questioned those decisions. Leave alone investors, I remember going to Boston for an investor show and one particular investor, I mean, just took me to the cleaners, said, who are you, Mother Teresa? We are American. We eat chips and we drink soda.

It's not your business to transform the company to healthy offerings. If we want to own a company that makes nutritious beverages and snacks, we'll go buy a nutritious beverages and snack company stock. You don't have to it. I said, what about PepsiCo and our future? Oh, you'll just become a cash cow and die a natural death.

But that's not the way you should think about institutions. We want to grow. We want to stay around for a long time. Our goal is to have you buy our stock, put it aside in your portfolio, never have to worry about it because we're a bond with an equity like kicker. That's our goal, big mega-cap company, you'll get that dividend check steadily. That's what we'd like to do. That requires transformation.

MR. BRADLEY: You introduced three words in 2010 to the PepsiCo vocabulary of "performance with purpose." Do a paragraph on that.

MS. NOOYI: I'll go back to those three trends, you know, shifting – the health and wellness trends, the environmental trends, and the fact that we had to create a different environment for our people. I also realized something else that was going on. As we surveyed our employees, everyone of them were looking for a purpose, something in life that made them feel good about the company.

Remember, we don't make life-saving drugs. We don't provide technology that changes your life. We make fun products. So we wanted to give people a real purpose why coming to work at PepsiCo was the greatest thing. So what we did is we said why don't we make the shifting of the portfolio offering more nutritious products, offering more grains, offering more fruit and vegetable offerings, really becoming an environmentally conscious company, and creating an environment in PepsiCo where everybody can bring their whole self to work.

Part of the agenda is to how we make money, not how we spend the money, how we make money. And that got encapsulated in these three words, performance with purpose. It all starts with performance. We wanted to deliver the greatest financial returns, but we want to deliver those profits while we transform our product portfolio,

worry about the planet, and worry about our people. And that was simply performance with purpose.

And the fundamental difference between corporate social responsibility and performance with purpose is that performance with purpose is about how we make the money, not how we spend the money that we make. So if we don't transform our portfolio, we cannot make profits. If we're not environmentally sustainable, we won't get a license to open a plant and we won't reduce the cost of our packaging. And if we don't create a phenomenal workplace for our people, we won't be able to hire the best and the brightest.

So we - our purpose became how we deliver the profits. Too often I think people confuse purpose with corporate social responsibility, which is a problem because you could run the company anyway and then just do a charity program in some country and then feel good. That's corporate social responsibility. To me that's like going to confession after you've made a mistake. I think what we're talking about is weave purpose into how you run the company, into how you make money. Then it's a sustainable model, and that's what performance and purpose is all about.

MR. BRADLEY: That's a good answer. Let me shift from PepsiCo back to you again. We have the now globally famous Anne-Mary Slaughter here in the audience. And 2 years ago, she wrote for The New Yorker a perfectly edited, perfectly written story on why women can't have it all. Wait, did I say for The New Yorker? It was actually for the Atlantic. It was a perfectly written -

(Laughter)

MR. BRADLEY: - perfectly edited story. So give us your thoughts. You must have been intellectually part of the debate. What's your thought about whether women can have it all?

MS. NOOYI: I read the article. I thought it was one of the most brilliantly written articles -

MR. BRADLEY: I can't hear you. One more time.

(Laughter)

MS. NOOYI: It was the most unbelievably written article. And you know what, kudos to the chairman of Atlantic who published it, so David, my -

MR. BRADLEY: I think that's a wrap, thank you so much for having us today.

(Laughter)

MS. NOOYI: But I think Anne-Marie is on to something. I don't think women can have it all. I just don't think so. We pretend we have it all. We pretend we can have it all. You know, my husband and I married for 34 years, and we have two daughters. And every day you have to make a decision on whether you are going to be a wife or a mother. In fact, many times during the day you have to make those decisions.

And you have to co-opt a lot of people to help you. We co-opted our families to help us. We plan our lives meticulously so we can be decent parents. But if you ask our daughters, I'm not sure they will say that I've been a good mom. I'm not sure.

And I try all kinds of coping mechanisms. I mean, I'll tell you a story that happened when my daughter went to catholic school, Convent of the Sacred Heart. And every Wednesday morning, they have class coffee with mothers. Class coffee with mothers, for a working woman, how is it going to work? How am I going to take off 9:00 o'clock on Wednesday mornings to go for class coffee? So I missed most class coffees. My daughter would come home and she would say - list off all the mothers that were there and you were not there, mom.

First few times, I would die with guilt. But I developed coping mechanisms. I called the school and I said give me a list of mothers who were not there.

(Laughter)

MS. NOOYI: So when she came home – when she came home in the evening, she'd say you were not there, you were not there. I said, uh-huh, Ms. Raag (phonetic) wasn't there, you know, Mrs. So-and-so wasn't there.

(Laughter)

MS. NOOYI: So I'm not the only bad mother.

(Applause)

MS. NOOYI: You know, you have to cope because you die with guilt. You just die with guilt. My observation, David, is that the biological clock and the career clock are in total conflict with each other. Total, complete conflict. When you have to have kids, you have to build your career. Just as you're rising to middle-management, your kids need you because your teenagers, they need you for the teenage years. And that's the time your husband becomes a teenager too. So he's easier –

(Laughter)

MS. NOOYI: They need you too. So what do you do? And as you grow even more, your parents need you because they're aging. So we're screwed. I mean we have no –

(Laughter)

MS. NOOYI: We have no – we cannot have it all. But you know what, coping mechanisms; train people at work, train your family to be your extended family. You know, when I'm in PepsiCo, I travel a lot, and when my kids were tiny, especially my second one, we had strict rules on playing Nintendo. She'd call the office, she didn't care whether I was in China or Japan or India, wherever, she'd call the office. The receptionist would pick up the phone, can I speak to my mommy? Everybody knows if somebody says can I speak to mommy, it's my daughter. So she'd say, yes, Tara, what can I do for you? I want to play

Nintendo. And the receptionist has a set of questions, have you finished your homework –

(Laughter)

MS. NOOYI: – You know? You see? I say this because that's what it takes. She goes through the questions and she says, okay, you can play Nintendo half an hour. But she leaves me a message, Tara called at 5:00, this is what – the sequence of questions I went through, I've given her permission. So it's seamless parenting.

(Laughter)

MS. NOOYI: But if you don't do that – I'm serious, if you don't develop mechanisms with your secretaries, with the extended office, with everybody around you, it cannot work. It can – motherhood, you know, stay-at-home mothering was a full-time job. Being a CEO of a company is three full-time jobs rolled into one.

How can you do justice to all? You can't. The person that hurts the most through this whole thing is your spouse. There's no question about it. You know, Raj always says, you know what, your list is PepsiCo, PepsiCo, PepsiCo, your two kids – our two kids, your mom, and then on the bottom of the list is me.

(Laughter)

MS. NOOYI: There are two ways to look at it. You should be happy you're on the list.

(Laughter)

(Applause)

MS. NOOYI: So don't complain. Don't complain. He is on the list, very much on the list. But you know – sorry, David.

MR. BRADLEY: It's just so reminiscent of my own life, so.

(Laughter)

MR. BRADLEY: I've received word that we're supposed to close. Let me tell you that whatever the guilt you feel inside the family or the lack of approval from your mom, we received a text message right before we came out from Sheryl Sandberg who said you've done a marvelous job of leaning in. We're very happy to have had you here.

MS. NOOYI: Thank you. Thank you, David. And thank you all.

(Applause)

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