



CEO EXCHANGE PROGRAM #501 TRANSCRIPT

“BRAND NEW DAY: Putting the Pizzazz Back Into Xerox and Coke”

FEATURING ANNE M. MULCAHY AND NEVILLE ISDELL

TAPED ON NOVEMBER 14, 2006 AT EMORY UNIVERSITY’S GOIZUETA BUSINESS SCHOOL.

TEASE

Coke and Xerox, household names. So famous, you know exactly what they stand for, or do you? Meet the CEOs who have given new sparkle to these revered brands. From the Goizueta Business School at Emory University in Atlanta, Anne Mulcahy of Xerox. “I have come to realize that part of the opportunity in this world is to talk about women leaders “and Neville Isdell of Coca Cola, “it’s a great business to be in. We sell moments of pleasure.” Not your grandmother’s Xerox and Coke any more. Coming up next on CEO Exchange.

SPONSOR SPOT

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OPEN

One world, many ideas, inspiring the next generation, shaping trends and forging the future, ideas that change the way we live. CEO Exchange. And now your host, Jeff Greenfield.

JEFF GREENFIELD

Thank you. Thank you. Okay. It may seem a little strange to you that we have the CEOs of Coke and Xerox on the same program. After all, what does a company best known for a soft drink have in common with a company best known for a copy machine? Well, yeah, they have two of the most widely recognized brands in all the

world. So much so, that their lawyers have to remind us not to use Xerox as a verb and not to use Coke to mean soft drink. And yes, they both practically invented their industries, and yes, they've had to expand well beyond their core products and services to keep up with the times, and yes, they both stumbled a decade or so ago, one of them so badly that its very survival was in doubt. And yes, they both turned to long time company insiders to help revive the glory days. So maybe Coke and Xerox do have a few things in common after all.

As those of you watching at home and those of you here at Emory University's Goizueta School of Business in Atlanta, named after a legendary Coca Cola CEO, are about to find out.

Now it wasn't so long ago, that Neville Isdell had retired from Coca Cola. He divided his time between Barbados and the South of France. Not too shabby. So what was it about Coke that lured him back to Atlanta and a real challenge? Well, we'll be chatting with Neville Isdell, Chairman & CEO of the Coca Cola Company in just a few minutes.

But first, we've got a study in contrasts. A CEO who constantly ranks among the most powerful women in business, yet chafes at that limited description. An English major without a business degree, running one of the elite companies of the world, a 30 year veteran of Xerox, who supposedly thought about quitting on several occasions, to spend more time with family. And she's now being credited with one of the most successful turnarounds in corporate history. And few can copy that. So please welcome the Chairman & CEO of Xerox Corporation, Anne Mulcahy. Welcome.

ANNE MULCAHY

Hi.

JEFF GREENFIELD

So let's set the stage. You are invited, if this is the correct word, to take over a company that is going through the toughest time in its history, perhaps on the brink of extinction, knowing full well what this means. 100 hour work weeks, months away from your family and the strong possibility of failure. And not so incidentally, one can imagine, people say, "Well what do you expect? Look who they appointed? Right? Without a business degree." And you say yes. What was the temptation?

ANNE MULCAHY

Well, I would characterize it more by not being able to say no, than saying yes. 30 years. I practically grew up at Xerox. I knew the place really well. I loved it. And for me it was as much a mission, as it was a job. I had great respect for the

competencies of the people of Xerox, the dedication and loyalty of the people. That wasn't something that got headlines. It wasn't the story. The story was, you know, financial turmoil and nobody was interested in talking about the caliber of the people at that time. But I knew that, that was just a huge asset in taking it on, and that if I could keep the people and we focused, that this was a team that could do extraordinary things.

JEFF GREENFIELD

Okay, but for all that, there is one person, a CEO, who's got to put all that together. Now maybe – you grew up with four brothers. As a husband of somebody who grew up with three brothers, I can understand how that gives you a certain amount of survival instinct.

ANNE MULCAHY

Great training.

JEFF GREENFIELD

But was it simply that you thought, I know this company. I know these people and I know where we've got wrong. And I think I have some clues as to how to get us right?

ANNE MULCAHY

Yes. I think, you know, when you're a part of what goes wrong, you have the ability to watch and learn and certainly think about what you would do differently. And for me, a big piece of it was the respect I had for the Xerox culture, and that it was far more capable and powerful than it had been characterized as.

JEFF GREENFIELD

Well, we want to find out a little more about how an English major just climbed the ladder to become CEO of a company that she first joined as a sales rep. So, here is CEO Exchange correspondent, Ceci Rodgers with a look at the life and the career of Anne Mulcahy.

ANNE MULCAHY BACKGROUND PACKAGE

She's one of the most powerful business women in the world, and she hides it well. "Hey, how are you?" "Oh it's been so long. How are you?"

Anne Mulcahy has been the CEO of Xerox for 5 years, but you won't find her on many magazine covers or living the life of the rich and famous. This is a more typical day, working the booth at a major trade show in Chicago. "Are we getting some interest in these laser printers?" "Absolutely. I think it's going good."

The youngest of 5 children and the only girl, Mulcahy grew up on Long Island, learning how to hold her own. Her father loved to debate at the dinner table. “And we all kind of were expected to scour the newspapers and understand what was going on and then to participate in a pretty healthy debate, and sometimes it got a little emotional, as well. Hot topics. But the more, the hotter the topic, the more he liked it.”

After earning a degree in English from Marymount College in New York, Mulcahy set out to become an editor, like her father. But her older brother, who was working at Xerox, talked her into joining the company. She did, starting out in sales, and working her way up the corporate ladder.

Along the way, Mulcahy met and married her husband, Joe, a sales manager who retired in 1998. They have two grown sons.

SHANNON CROSS – Cross Research Soleil Securities

It’s one of these places, there aren’t that many left, where, you know, your kids go work there. And you know, your brother works there, your uncle works there, whatever. And so it does tend to be more family friendly.

Mulcahy spent a few years as head of Human Resources, then created a new desktop printer division. Xerox was struggling with weak sales of its printers and a botched sales force reorganization. Where the CEO was forced out, former CEO Paul Allaire came back, and persuaded the Board to make Mulcahy President, as a stepping stone to becoming CEO. “I came into certainly the job of President and then CEO, under unusual circumstances, and not terribly predictable, so I think it was unplanned, but, but fortunately, I think I was prepared.”

But it was worse than anyone thought. Losses mounted, and the SEC began investigating accounting practices, which later led to a \$10 million dollar fine. Xerox was on the brink of bankruptcy. Mulcahy dove in. She cut a billion dollars in cost in the first year, even shutting down the Deskjet Printer Division, she herself had launched.

CECI RODGERS

“Mulcahy’s vision was to keep the corporate culture intact, even as she was slashing jobs and selling off divisions. She was also pouring money into new technology, such as color digital printing, as well as consulting services.”

Mulcahy saw the need for a complete transformation, away from expensive consumer printers, with functions nobody wanted, into high end digital color printers, and copier services. Her gamble seems to be paying off. Xerox is growing again. Its

profits are up. So are sales of high end commercial printers, like this IGN3, that's replacing offset printers with a touch of a button. "You touch it down there and you never touch it again until it comes out here." "That's cool."

Color pages from office copiers are rising. That's important, because profit margins on color are 5 times greater than that of black & white. How did she do it?

SHANNON CROSS

"People are really behind her in what she does. She kind of bleeds Xerox. I mean you get that feeling from her that Xerox comes first, and I think it's been proven out in what we've seen."

CECI RODGERS

Xerox may be running more smoothly now, but it still faces heavy competition from Canon, Hewlett-Packard, and newer low cost competitors.

JAGDISH N. SHETH, PhD. Prof. Goizueta Business School

"The key challenge is going to be can you remain a low cost producer? Do you have the capability of producing as inexpensively keeping your quality high as Chinese manufacturers will do or as Koreans are doing it today?"

CECI RODGERS

As Xerox continues to cut jobs and costs, Mulcahy admits the company still has a long way to go, but with her trademark optimism, she doesn't think for a minute that they can't get there. "We'll see you. Thanks for being here. Thanks, how are you? Great. Thanks." From Stanford, CT, I'm Ceci Rodgers for CEO Exchange.

JEFF GREENFIELD

Now in that setup piece, Ceci Rodgers mentioned you were determined to preserve the corporate culture. We hear a lot about companies in trouble, where the first goal of the new CEO is to blow up the corporate culture. What was it about the corporate culture, given its troubles, the \$38 billion dollars in shareholder value gone in a couple of years, boardroom turmoil. What was it that you thought I got to preserve?

ANNE MULCAHY

Well, I think corporate cultures have gotten a little bit of a bad rap, and you know, corporate culture is code for the people. And, you know, not to think that the culture has to be part of the solution, I think, really doesn't do justice to what it takes to really get a big company moving. There's this heritage and pride about, you know, the company's roots, where it had been, where it had come from, that was very much a part of why people came to work every day.

JEFF GREENFIELD

It seems to me that you also had to make some very tough, early decisions. Like, like cutting a billion dollars in cost in a year and a half. You can't do that at the margins can you?

ANNE MULCAHY

No.

JEFF GREENFIELD

There's some blood on the floor with that.

ANNE MULCAHY

Absolutely. Yeah.

JEFF GREENFIELD

How do you communicate that and, and have the rest of the company say, we're with you?

ANNE MULCAHY

Well, I think you communicate it in person. You make sure that nobody gets to deliver that message for you. I think that, you know, you accept the fact that these are tough decisions, that the people really aren't the problem. That the company is in a place that we shouldn't be, and that our passion has to be about dealing with the issues as quickly as possible, and not making the same set of mistakes again, but I think that part of it is, it's the touch. It's the being there. It's making it personal and you know, making sure that people understand that you know, wherever possible, you've tried to do the right thing for people. We out-sourced a lot of jobs, but they took our people. And we focused a lot on trying to retain as many jobs as we could, so it's not easy and it's certainly you know, created a lot of anxiety in the company, but I think that the people stuck with us, and understood that the goal would be learning from all of this, and not repeating it.

JEFF GREENFIELD

Do you think in any way the fact that you had at one point, been in Human Resources was a help in this particular area?

ANNE MULCAHY

Well, I don't think I realized it at the time, but when I think about the three years I spent in Human Resources, the power of not just communications, but alignment in companies with something that really struck me at that point in time. That's how things get done in big companies.

JEFF GREENFIELD

Was there a particular time when you looked up after a couple of years and said, "You know what? We're going to make it."

ANNE MULCAHY

You know, I don't think so. Certainly turning profitable was a point in time, that you'd say okay, it's good to be in the black.

JEFF GREENFIELD

I could see this.

ANNE MULCAHY

It's good to be making money. But, but I think I view it as a journey and one that that doesn't have a destination point either. So you know, there's always that next set of challenges that you have to not just deal with, but embrace, so I think we all at Xerox worry about resting on our laurels. Been there, done that and it's important to kind of stay on top of your game.

JEFF GREENFIELD

I was just looking for the eureka moment that in the movie version of this story, you know, there has to be a key moment when they say –

ANNE MULCAHY

It won't be played by me.

JEFF GREENFIELD

Okay so, now let me turn to what I thought – I've come to think of as the question. And I'm going to do it in a way that maybe makes it less unpalatable. I can really understand, why after a while, it gets really annoying to be described as the third most powerful woman in business or the sixth most powerful in the world, would certainly shock me if I were ever described that way. But here's what I'm wondering. Is the annoyance balanced at all, by the knowledge that out there, there are people who see what you've done, as a CEO and incidentally, the gender is fairly obvious, and say, maybe I can do that?

ANNE MULCAHY

Yes. Yes. And I think I sort of discovered that in the beginning. I so wanted and needed the story to be about Xerox, because that's where the focus had to be and I didn't want it to be about a woman CEO, because at that time, the news wasn't very good, and it almost was getting an unnatural amount of attention. But I have come to realize that part of the opportunity in this world is to talk about women leaders, is to focus on the possibilities and the doability of this and the importance for women to have those aspirations and not to make them seem out of reach or undoable, or not to be able to have lives, as well as big jobs. So I think I have absolutely not just gotten comfortable talking about it, but think it's important that we do talk about it, when we have a platform because it's important that women get that message.

JEFF GREENFIELD

Before meeting our second guest, we're going to take a question or two from the audience here at the Goizueta School of Business. Please come to the microphone. Tell us your name and then ask your question.

FROM THE AUDIENCE

Yes, my name is Emily [...], I'm a first year MBA student at the Goizueta Business School, and I've recently read that Xerox had been recognized as one of the top 40 companies for diversity. So my question is, why is a diverse workforce important and how would you quantify one?

ANNE MULCAHY

Well I think a diverse workforce is important because it's the only way to get the best talent. You know, I think if you're not including the entire population as you think about your recruiting, then your ability to get the best and the brightest is marginalized, and for me, it's, it's that premise that certainly drives the benefits of a diverse workforce. And I feel very privileged, because I probably have one of the diverse, most diverse business teams in this country and I think it's just an enormous, positive differentiator.

The most important thing and we've had this enormous opportunity at Xerox to demonstrate this, is that people have to feel that they have an impact, that they make a difference. There's nothing more satisfying and motivational if you can get up every day and come to work knowing that you actually are valued that, you know, what you do is valued by your teammates and the leadership of the company, so impact is huge.

JEFF GREENFIELD

Thanks for the question. Anne Mulcahy will be back with us very shortly after we meet our second guest for now. Have a Coke and I'll see you in a minute.

Now for a company that does business all over the world, Neville Isdell certainly has the right pedigree to be CEO. He was born in Northern Ireland, his family moved to Zambia when he was 10. He later joined Coke's bottling & distribution operations there. But after climbing quickly up the corporate ladder, Isdell lost out on the CEO's job, and he was actually happily retired until Coke decided, pardon me, "he was the real thing." So please welcome the Chairman & CEO of the Coca Cola Company, Neville Isdell. Welcome.

So here's – I have this image of you. You're retired, you're splitting your time between the South of France and Barbados. Two of the real combat zones in the world. (laughter) And somewhere as you look at Provence, thinking about which fine red you might drink that night, the call comes from Coca Cola and says, "Come on back to Atlanta, and right a troubled ship", and let me ask you the same question Jay Leno asked Hugh Grant under very different circumstances, "What the hell were you thinking?" (laughter)

NEVILLE ISDELL

You know what? That's exactly the same question that my wife asked me. (laughter) You know, I took up the call, I was looking over the Caribbean. So it's just as bad as the way you paint it.

And my first reaction was why would I want to do this? Cause I had a very happy retirement. It was working very well. And I was on some boards and I was staying intellectually active. But then I asked myself another question. And it took me about two weeks to get there, actually. And that question was, how can I live with myself for the rest of my life, if I say no to this ultimate challenge? And the moment you change the question from why would I do this, to how can I not do this? You know what? You change your mind.

JEFF GREENFIELD

Was any of this, and I'm now thinking of my own small-mindedness, I admit, a way of saying, "Well, you know, I was here 10 years ago, you chose to go in another direction. You've had an awful lot of heartache since, so maybe I'll show you that you might have gone another way 10 years ago." In other words, was there any way of saying, I'll show you what I can do when I finally have the chance to do this job?

NEVILLE ISDELL

No, really there was none of that. I think, you know, looking back over your shoulder, rewriting history isn't what it's all about. It was about the challenge of the company. Everything I had, the house in Provence, the house in Barbados, the very comfortable lifestyle, I owed to Coca Cola. It was Coca Cola who had given me that. So it was what Coca Cola had given me, and what it meant to me through all of my life, that made me decide I need to come and do that. And I was getting phone calls from people who were asking me to come back. People that I knew and liked and trusted and that increased the pressure as well.

JEFF GREENFIELD

Before we go further with these questions, let's take a bit of a break and find out more about his 40 year relationship with Coca Cola, from CEO Exchange correspondent, Jeff Flock.

NEVILLE ISDELL BACKGROUND PACKAGE

Do you sit much in this chair? "I travel two-thirds of the time, so the answer is no. And I walk around a fair amount as well."

But we got Neville Isdell, whose been to 128 countries for Coke, to sit for a moment. "You never aspired to sit in this chair?" "I only aspired to do the job that I had at the time, to the best of my ability."

After 35 years, a great career at Coke, Isdell retired in 2001 to the South of France, content. “I wrote a strategy for retirement. I said what I want to do with the rest of my life.” And this wasn’t it. “This wasn’t it.”

But the high profile and notoriously meddlesome Coca Cola board, which drove out two lackluster management teams, pulled Isdell back. His job, turn around the company with flat sales growth that had been eclipsed by competitor PepsiCo’s diversification into fast food and snacks.

DEAN FOUST – Atlanta Bureau Chief, Business Week

“Inside Coke, he was known as, jokingly referred to within the company as “the Indiana Jones of Coke.”

But Wall Street didn’t want a globetrotter whose claim to fame was opening Coke to new markets. It wanted someone open to acquiring new brands from the soft drink isles, like Pepsi did with Gatorade. Or even to expanding into new businesses. Again, like Pepsi with Frito-Lay. “Just because your main competitor in soft drinks happens to be in a different business, doesn’t mean you gotta go into the same business.”

Then you better innovate in beverages. And for a company built on a single secret formula invented in an Atlanta drugstore by this pharmacist, 120 years ago, innovation has been a challenge.

Isdell is trying to change that. Coffee flavored Coke Black and Enviga, a carbonated green tea, are the latest new products.

You talk about tough things... But there are many reminders of the past, in Isdell’s sprawling Atlanta office... “The famous Norman Rockwell that I think we’ve all probably seen...” is full of priceless Coke artwork. “That’s the original.” That’s the original? “That’s the original.” Oh can we go look at that?

But Isdell has just one photograph of his own on the wall. “That gentleman who I happen to think is the greatest living human being, and that’s Nelson Mandella.”

Born in Belfast, Isdell grew up in what is now Zambia, in southern Africa. An anti-apartheid activist, he reveres Mandella for his refusal to hate, despite years in prison.

Today, at 62, Isdell has the same activist passion. Laying a wreath at the tomb of a civil rights leader, donating millions of dollars of Coke real estate for a downtown Atlanta park, attending the National Urban League Convention.

“We’re proud to have you back in our home city of Atlanta.”

Isdell’s commitment to philanthropy may run deeper, because he’s one of the few CEOs with a degree in social work. With what he’s faced at Coke, that hasn’t hurt.

JOHN SICHER, Publisher, Beverage Journal

“Coke was plagued by low morale, and high turnover for the years before Neville came in. Today, the turnover – there’s tremendous stability at Coke.”

Like the good old days. (singing – I’d Like to Buy the World a Coke), though today the company would instead like the world to buy a Coke.

JAGDISH N. SHETH, PhD.

“The strategy for growth is go global as aggressively as possible, and that is Coca Cola’s strength is that internationally, it can expand forever.”

“Our transformation is just getting started.” It involves a focus on Coke’s non-carbonated beverages. “We offer over 80 ways to hydrate...”

Isdell is championing this, the company’s first ever corporate branding campaign. It emphasizes that soft drinks, both carbonated and non-carbonated, are Coke’s future, as a total beverage company. And who better to know the future, than someone with 40 years at Coke, who so well knows the past. In Atlanta, I’m Jeff Flock for CEO Exchange.

JEFF GREENFIELD

Now, you come back from this paradise, two paradises, and it’s a company where there have been boardroom battles. There have been fights. There have been two CEOs hired and then gone. What’s the first thing a CEO has to do under those circumstances? What did you do?

NEVILLE ISDELL

Spoke to and listened to the people in the business. And the day that it was announced I was in the quadrangle talking to the people, telling them that they were the core and the heart of the business and that I was going to restore the spirit back to the business.

And I traveled around the world. I went to 16 countries and I went out in the marketplace, but also listened to the people, because I have a fundamental belief that the people in the business know what’s wrong. They got the feel of the business, and senior management takes a long time to discover these things, but if you go down

deeply enough, the people at the bottom know. And the strategy that we developed, came from within the business. Came from within the thoughts and the concerns and the genuine criticism, some of it rough, of the people in the business.

JEFF GREENFIELD

What was the roughest thing you heard from them?

NEVILLE ISDELL

We don't trust leadership. We have no belief in growth anymore. We think we're arrogant. And all of those were statements from a survey, which actually had been done before I came back. I don't think we had to change the basic values of the company, because don't forget, this was not a company who was about to go bankrupt. We had a very strong cash flow, still the world's greatest brand. I mean, I had a very strong hand from that standpoint. It was, it was about belief. It was about bringing innovation along, as well. It's a bit like what Anne said about Xerox, that the fundamental beliefs and the values were still there within the Coca Cola company.

JEFF GREENFIELD

Right, but as you point out, her company was suffering from staggering financial problems, and your company was making well, these days, making about \$4.8, 4.9 billion dollars a year in profit.

NEVILLE ISDELL

Much easier job.

JEFF GREENFIELD

Okay. Even I figured that out as a liberal arts major. There are two things about your background that interest me. One is that you are a Rugby player and fan. Not a non-contact sport, and you also have a degree in social work. A very nurturing kind of work. Which of those two background things were most helpful as a CEO?

NEVILLE ISDELL

Actually it's a combination of the two. It is not an individual sport. It's a tough contact sport. Business is a tough sport as well. But it's about teamwork and you see, time after time, teams that are populated with stars being beaten by teams that are real teams. So that would be number one. And I think being a qualified social worker, it enhances your listening skills, because social workers don't give people solutions. They make people come to the solutions themselves, and I think that training was fundamentally important for my management beliefs.

JEFF GREENFIELD

I want to ask you for a second, about a broader dilemma or at least challenge that you face, and that is, unlike say one of your principle competitors, you've chosen to concentrate on beverages. I mean Pepsi has Frito-Lay and you know, I can see people thinking, well yeah, you know, if you're selling drinks, and you're selling foods, some of which makes you thirsty for drinks, there's kind of a nice fit there. It's been said by some writers that the failure of Coke to acquire Quaker, even though that was mostly about Gatorade, may have been the biggest mistake in the company's history. Looking back on it, would it be easier for you today, if Coke were in the food business as well as the beverage business?

NEVILLE ISDELL

I think business is about focus. They've managed to focus on two businesses. I don't believe that you can stray outside your zone of competence and be successful, unless you go in and make a major acquisition with another management team. If you're not running your own business properly, I don't believe you got any right to go out and imagine that you can run another business.

JEFF GREENFIELD

But Coke made a billion dollars buying and selling Columbia Pictures.

NEVILLE ISDELL

They did indeed, and we're very happy to exit the business. I can tell you that.
(laughing)

JEFF GREENFIELD

You know, if I had anything and could sell it for a billion dollar profit, I'd get the heck out of the business too. I mean what I'm getting at, I guess, is we have a couple of your products here. And there are a couple of different questions. I mean here is Tab Energy, that's a no-calorie energy drink, right?

NEVILLE ISDELL

5 calories.

JEFF GREENFIELD

Okay.

NEVILLE ISDELL

Want to be accurate.

JEFF GREENFIELD

I know, I appreciate it. (laughing) Who would want accuracy more than a journalist? Coca Cola Zero, may I assume this is zero calories?

NEVILLE ISDELL

0 calories, yes.

JEFF GREENFIELD

But tastes, I guess, more like Coca Cola Classic.

NEVILLE ISDELL

That's the closest we've gotten to Coke Classic.

JEFF GREENFIELD

Right. This is coffee flavored Coke, right? Coke Black?

NEVILLE ISDELL

Coffee infusion, yes.

JEFF GREENFIELD

Right, misspelled, but I think that's just in the nature of things.

NEVILLE ISDELL

Oh it's wonderful marketing and the German Umlaut. Yeah.

JEFF GREENFIELD

And this is?

NEVILLE ISDELL

Enviga.

JEFF GREENFIELD

Which is?

NEVILLE ISDELL

Enviga is a drink that enables you to burn calories and is part of our joint venture with Nestle, and is the first sort of venture into really the health and wellness area in a meaningful way.

JEFF GREENFIELD

And of course, what we've left out here, Diet Coke which is also no calories. I guess the question here is, how thin can you slice markets and niches before people start getting confused?

NEVILLE ISDELL

You obviously have to be careful with proliferation. This is primarily aimed at males, 18-29, but not entirely, because the whole formulation here is to try and get closer and closer to the taste of Coca Cola. In fact, Diet Coke drinkers generally, don't like Coke Zero. Its taste profile is much closer to Coca Cola. This brand in Australia right now has got a 7 share. And we only launched it in January of this year. It's been phenomenally successful.

JEFF GREENFIELD

Now is that why they call this bloke coke?

NEVILLE ISDELL

Bloke coke is what they call it in the U.K. Bloke coke. (laughing) That's the tabloids in the U.K.

JEFF GREENFIELD

That will not catch on in the United States.

NEVILLE ISDELL

No, I don't think so. It's not our slogan. No way. (laughing)

JEFF GREENFIELD

Once again we want to turn to the audience for a question or two. Please come on up, tell us who you are.

FROM THE AUDIENCE

Hi, I'm David [...]. I'm a 4th undergraduate business major. Recently, Coke has been involved in some level of controversy in India involving possible pesticides in its beverages and overuse of water in local communities. As CEO, you have a lot of power and I guess what I'm trying to ask is, to whom do you feel more responsibility? Your shareholders or local communities in India and elsewhere that might be negatively effected by your company's policies and actions?

NEVILLE ISDELL

We absolutely have a responsibility to what we call planet. Of the five core principles of the turnaround, one of them is planet. And that means addressing the needs of every community in society in which we operate. Unless we have an effective social license of which to operate. Unless we are properly connected and recognized as a contributing member of every community in society, we will not succeed, and no business will succeed in the 21st century. So one of the core principles for the new Coca Cola company going forward is that level of engagement.

On the two examples that you give, they're very different. One was against the industry as a whole, and included our competitor, and what it involved was actually using the brand names to heighten what is an issue for India as a whole, which is the overall use of pesticides. It wasn't relevant to us, whatsoever, but we were a very convenient brand which to hang the issue on. In the issue Kerala, all of the investigations have indicated that it has been a drought that's caused the depletion of the groundwater, however, we are managing the watershed, we're replenishing aquifers. We're re-establishing step wells in all of the areas that we operate, to get as close as we can to zero footprint in each of those societies.

JEFF GREENFIELD

Okay thanks for the question and for the answer. Before we bring back Anne Mulcahy, we want to take you on a tour of Emory University's Goizueta Business School, that's our host for this program and here is our own man on campus, correspondent, Randal Pinkett.

SCHOOL TOUR PACKAGE.

RANDAL PINKETT

Thanks Jeff. The Goizueta Business School is a top tier globally focused school, that also takes advantage of its location here in Atlanta, one of my favorite cities, but also one of the fastest growing business communities in the nation. Second year MBA student, Ben Slaughter, knows firsthand. Ben?

BEN SLAUGHTER

That's right, Randall. Goizueta students love the big city backdrop of Atlanta. Sometimes called the Big Peach. Sports, culture, and natural beauty, Atlanta's got it all. Atlanta is the driving force of the new South. Here 700 of the nation's Fortune 1000 companies have a presence.

Atlanta's history, as an active participant in the civil rights movement, has made it a stronghold of African-American pride and diversity. A great place for a business

school with an international focus, and an emphasis on a multicultural faculty and student body. “Hello.” How are you guys doing?

Now named after the respected former Coca Cola CEO, Roberto Goizueta, the Business School was first established in 1919 here on the beautiful hilly campus of Emory University, where the undergrad business school program is also top ranked.

Besides my concentrations in finance and leadership, Goizueta also offers concentrations in accounting, marketing, decision and information analysis and others. Classes are small, and students are engaged with their professors.

The new Goizueta Foundation Center for Research & Doctoral Education reflects the school’s growing commitment to research. At Goizueta, you’ll find the Zyman Institute for Brand Science and the Center for Entrepreneurship & Corporate Growth.

Goizueta grad Mark Adler took advantage of the many resources the school had to offer when he was a student. Goizueta’s own campus CEO is now operating several successful businesses here in Atlanta.

MARC ADLER, Chairman, Macquarium, Inc.

“The business I began as a Goizueta student is now one of the largest interactive agencies in the country. Since completing my MBA, I’ve also launched some other ventures, including an on-line art supply business and a movie studio producing animated films. At Goizueta, I took advantage of many of the opportunities which still exist today, such as the direct exposure to professors, as well as their network of industry experts. I was fortunate to be mentored by information analysis professor, Benn Konsynski. The Goizueta MBA program goes beyond developing a student’s cognitive and technical competencies, but has a holistic approach to leadership. Attending the Goizueta MBA program was one of the best decisions I’ve ever made.”

At Goizueta, there are a wide variety of student organizations to join, like the Christian Fellowship Group I belong to, and the Goizueta Marketing Strategy Group.

Goizueta students also know how to kick it up. We enjoy the campus, the city, Hi, Maria, and each other. Randall, it’s been a pleasure.

RANDAL PINKETT

Thanks Ben for that inside look of Goizueta, ranked in the top tier of *Business Week* magazine’s 2006 business school poll. And before we go back to the studio, with a little Goizueta spirit, Go Emory! Back to you Jeff.

JEFF GREENFIELD

So let's, you already thanked Randall and Ben and the Goizueta School for helping us out for this show and we thank them too. And now we're going to prove there is a reason why we call this CEO Exchange, because we've asked Anne Mulcahy to come back out and join Neville Isdell. So welcome Anne back please. (applause)

Now in part, I guess Neville's answered this question, but one of you took over a company where growth was stagnant, but there was plenty of money. The other took over a company where bankruptcy, I mean good old Chapter 11 was a real possibility. So put yourself in each other's shoes. Is there anything, maybe just about the expectations that Anne faced, that you thought, well, yeah, you know, it was in one sense harder for me because I was coming back to a company that had made so much money for so long?

NEVILLE ISDELL

Well funny enough, in the break, I just said to Anne, you know, our belief systems are so very similar, it's quite amazing. Now obviously, because of the circumstances, I would have had to undertaken the sort of surgery that Anne had to undertake. And I've had to do that in my career before and it's very difficult and I listened carefully to her answer, and I could see the pain that she was suffering at that point in time. Because that's the most difficult thing to do in business. So I don't – I don't detect that there is anything different that I would have done. But of course, the thing that we both share is that we both know and understand our organizations. And I think that's what makes insiders the most important people of all in terms of turnarounds. Because they understand not just the DNA, but they understand what's gone wrong.

JEFF GREENFIELD

You actually anticipate the question which is, I guess maybe because of what happened with IBM, and Lou Gerstner, which is kind of the archetypal story of how you fix a company in trouble. There's been an assumption that you have to bring someday from the outside to just redo the DNA, if that's possible. You have a very different view of this, I take it. That it was your – the fact that you were there for so long that helped you save – helped the company get saved?

ANNE MULCAHY

Well, I think it was an advantage. You can come into a company and maybe not certainly have shared 30 years of history, and – but I do think that you have to have a leadership profile of respecting the culture, bringing the people with you, and really ensuring that there is a sense of ownership about it, that isn't quite frankly, the classic turnaround we've come to know.

JEFF GREENFIELD

There's a side of this job Anne, that you talk about a lot, and it seems so obvious, but like a lot of obvious things, it may be easier to say than do. It's that you have to listen, it seems such an obvious point, and yet it seems so hard for people to do that.

ANNE MULCAHY

Yes.

JEFF GREENFIELD

We may have a few future CEOs in this audience. What can you tell them about turning that theory, that kind of almost you know, axiom, you gotta listen, into reality?

ANNE MULCAHY

Well, I think it's one of those things that you know, easy to talk about, difficult to do. And I'm talking about listening in a way that actually treasures and absorbs critique. And actually makes a point of getting honest feedback, which you know, is painful and tough to get when you're at the top. People kind of want to please, so it takes an extra effort to do it. It means listening and spending enough time with customers directly, so that things aren't filtered, and that you actually start responding to customers directly as well, and I think there's companies that have long histories, long successful histories, listening can become a lost art. You kind of just get comfortable with what you know, and arrogant about your ability to be successful, so you appear to be listening, but you're not actually responding and absorbing what you're hearing in a way that changes the course of direction that you use to make decisions in your company.

NEVILLE ISDELL

What you're saying is something that I have in the back of my mind all the time, and that is, when the magician believes in his or her own magic, they're really in trouble. (laughing) And that is what happens. It's because you get isolated, so you need a management team that you know is willing to challenge you. Genuinely challenge you, and who is comfortable challenging you, doesn't feel that that, in fact, is going to diminish their ability to move forward. I would add that a spouse is very helpful, as well. (laughing) Because –

ANNE MULCAHY

That's the critical part. (laughing)

NEVILLE ISDELL

That's the critical part, no. Because they keep your feet on the ground. Because we have all these – these opportunities, you know, get with the glitterotti, and do all – live in that world. When I go on vacation, who do I have to stay at my home? Friends of 30,40 years ago. People that I used to walk around, you know, barefoot, throwing a Rugby ball. There's no nonsense with them around. Those are the people

you got to stay connected with, and then the final thing is, read, read, read. Because you've got to keep learning about the changes that are taking place.

I mean, I amazed someone the other day, by talking about some of the things that I was looking at on You Tube. I play around with You Tube. Mentos and Diet Coke, wow! Okay? But you know, that's something I couldn't have comprehended 10 years ago. You've got to stay intellectually young.

JEFF GREENFIELD

Speaking of which, I can't swear to the age of the next question, but we are going to tun to the audience for another question. So please come on up to the mike.

FROM THE AUDIENCE

Yes, my name is Scott [...] from the University of Finland. I'm a first year faculty member. As we look at the demographic changes in the United States and around the world, and the predicted labor shortages in the United States in particular, how do you think your companies are preparing for those shifts?

NEVILLE ISDELL

Well, if you just focus on the United States, it is different to parts of the developing world, as you point out. So, you've got still a massive youth market in terms of our products and the rest of the world. Clearly, where we're moving with some of the innovations that you saw like Enviga, Tab Energy, even with Zero, are trying to answer the needs of an older generation. We've actually defined our business down to lead states, and that is, you know, feel good today, feel good tomorrow, feel good for the future, and the future is really interestingly enough, where the older generation goes. And we're developing brands in each of those areas. However, we're still very early in that phase, very early.

ANNE MULCAHY

So Neville just answered it from kind of the market perspective. I think the other thing we have to worry about is how do we get the kind of talent and skills we need with changing demographics and skills and this is an area that I think is hugely important to really focus on the development of math and science in this country, for not just the purpose of technology companies, but for competitiveness in general. So, we're putting a ton of focus and resources behind, you know, particularly, in early secondary education to make sure that we really begin to build up interest in areas that will provide us with the kind of talent that we're going to need to be competitive in the future.

JEFF GREENFIELD

Thank you. I wan to turn now, both of you have talked about to your fellow employees, to everybody and that's risk. Neville, you actually gave a particular speech about one point when you returned to Coke saying, "You know, we're going to take some risks and that means there may even be some failures in what we do, but it's something we have to do." And you've made the same point. So tell me how you

encourage risk, even when something goes wrong. How do you keep that spirit by saying, okay this didn't work, but that doesn't mean we should stop taking risk?

ANNE MULCAHY

I think it's a big deal and it's one of the things that I worry about. I think it's the downside of regulatory and compliance environment that we're in right now. Is that we put a low premium on things like risk and courage and judgment, and we've got to work at, making sure that the environment is there. Our focus is, is that mistakes are great, but they've got to be discovered early and you have to learn, you know, first time around.

JEFF GREENFIELD

Can you give me an example?

ANNE MULCAHY

Well, certainly in, as it relates to the development cycle of technologies. We put a high premium on early mistakes. So, it's – we even set goals for how many errors and mistakes you'll make when you're developing products early in the cycles, to create a curiosity about, you know, the early experimentation and mistakes and, so that you get them out early and you have the ability to solve them before you get close to going to market.

So, you know, the further upstream you can go, in terms of treasuring mistakes as a gift, it allows you to make a lot fewer of them, when you're ready to go to market.

JEFF GREENFIELD

Is this the kind of lesson you – that you hope also to bring to Coca Cola as its CEO?

NEVILLE ISDELL

I hate bad news. What I hate even more is hearing it late, which is exactly what Anne is saying. And the more that the preach that, the more that you can get that into the culture. But what you have to do is have process involved and stage and gates where there is no penalty for someone saying, you know what? This was a great idea. It's not working. We're on the right/wrong track and you get to the stage, we will pull it. And that doesn't mean that someone's career is jeopardized. It means they can move on to the next project, because they've made the right call. And if you can do that, and it's very difficult to do, but that's what we try to do. If you can do that, then you can get more risk taking.

JEFF GREENFIELD

But that last part about – that both of you seem to say is that you can't then punish people if they've tried and failed, as long as they've done it straight up with you?

NEVILLE ISDELL

Yes. But if they try and fail too often, you know (laughing).. there is a reality to life. And that applies to me, as well. I mean it works both ways.

We talk about process. We talk about job definitions and the people in this room are very interested in that. Well, every successful person has taken their job definition and expanded it. Those are the successful people.

JEFF GREENFIELD

We want to hear from the audience one final time.

FROM THE AUDIENCE

Hi. Susie [...], Goizueta evening MBA student, class of 2009. Both of you started your careers at your companies several years ago, and over the years you've moved up the ranks. What motivated you to stay at Xerox and Coca Cola and did you ever think about moving to a different company?

NEVILLE ISDELL

I just loved it, long enough to stay and say no to the headhunters as they came. I think today's world has probably changed. I was brought up in a world, where that was the norm. I don't think that is the norm today, but I had times when I thought of leaving. When other things seemed more attractive, but it's a great business to be in. You know, we sell moments of pleasure and if you can create that in a business, which is what we try and do, then I've been 40 years in the business and you can have 40 years of whistling your way to work.. (Laughing)

ANNE MULCAHY

That's great. I think I would add that, you know, it's not so much in vogue anymore to stay with one company, but I think it should be a goal. And I talk to people who want to join Xerox with , that's the way we ought to begin. The company ought to be about investing in a potential long term relationship with that person that we're hiring and take it really seriously. And I want people to come to Xerox, hoping that it's possible too. It may not work out, but I think the ability to build the relationships that get embedded over long term careers is really just such a gift, that I hope it's certainly not the sole answer, but I hope it comes back into vogue.

FROM THE AUDIENCE

Thank you.

JEFF GREENFIELD

Thanks for the question.

FROM THE AUDIENCE

Hi, my name is Grace [...] and I'm a Human Resources Director. So I've been dying to ask this question all night. What do you see the role of HR in the success or failure of a company?

NEVILLE ISDELL

Well, of course, with a social science degree, you'd expect me to say that it's vital. And in fact, one of the first moves that I made was to bring in a new HR director. I think that it is one of the most underrated roles in an organization. Now it is only underrated, if the HR professional or HR director is someone who has a complete breadth of knowledge and understanding of the business. If it is only a technical function, if you want to be narrow about it, delivering comp and benefit strategies, etc., then that value is severely limited.

ANNE MULCAHY

I couldn't agree more and the things that have risen to the top in terms of where Human Resources makes a contribution really, are less the technical expertise and things like organizational effectiveness, and talent management and development. I mean these are the, you know, the single most important differentiators that a big company has in a world that's leveled out, amazingly quickly.

FROM THE AUDIENCE

Thank you.

JEFF GREENFIELD

Thanks for the question. Before we close, we're going to turn to a part of the show that we call the lightning round. I'm going to ask each of you a few very short questions. I'd like you to just spontaneously respond to the first thing that pops into your head. The SEC will get no copies of this. (laughing) But they're not that kind of questions.

iPODs, CD or whatever, what's in your music collection? What do you listen to?

NEVILLE ISDELL

I have very low brow. I don't listen a lot to iPod. I have one, but I don't listen. But it's the like of Moody Blues, Queen, Beatles, that's what relaxes me.

ANNE MULCAHY

Bruce Springsteen. (laughter)

JEFF GREENFIELD

Now, not counting a family member, who's the person living or dead you'd most like to have a long leisurely dinner with?

ANNE MULCAHY

Warren Buffet.

JEFF GREENFIELD

The man you tried to get invested – you're still working on getting his investment into Xerox, aren't you?

ANNE MULCAHY

I am.

NEVILLE ISDELL

Well I've got the luxury of being able to do that. Still the person on the video that I said that I most admired, Nelson Mandela. He's just a superb human being.

JEFF GREENFIELD

Other than work, what do you think you'd be really good at? What would you like to try, let me put it more fairly. Other than the job you've done?

ANNE MULCAHY

I would love to do kind of work, kind of the private/public sector integration. I think, you know, as I think about where this country has to go, I don't think we optimize the private/public partnership, and I have a lot of belief that that can provide the solution to a lot of big problems that we have.

NEVILLE ISDELL

I always would have loved to have been in politics, and do you know that I have never, ever been able to vote in an election, because I've never had the right to vote? I've moved around the world so often. And I was a political leader at university, and geopolitics interests me. Particularly, more local – sorry more global than local. So something with the United Nations, something of that nature would interest me immensely.

JEFF GREENFIELD

Okay. What do you think you're really bad at?

NEVILLE ISDELL

You know, I, I'm Irish, so I now and again have a short fuse. I guess Anne has admitted to that. But I don't actually always quickly enough show my emotions. I'm a great absorber. And maybe I should let that out a little more often.

JEFF GREENFIELD

You can also take a skill –

ANNE MULCAHY

Patience would clearly be –

JEFF GREENFIELD

Patience? Now does this mean that impatience tends to be a trait of CEOs?
(laughing)

NEVILLE ISDELL

That is certainly true.

JEFF GREENFIELD

Okay something for you folks out there to work on. I'd like you to finish this sentence. Before it's too late, one thing I'd really like to do is....

NEVILLE ISDELL

See tigers live in India.

JEFF GREENFIELD

That must be the only thing you haven't seen, living in 168 countries (laughter) But okay.

ANNE MULCAHY

Have a grandchild.

JEFF GREENFIELD

Not sure that's in your full control, but okay. (laughter) Would your grandchild work at Xerox?

ANNE MULCAHY

(laughing) Possibly.

JEFF GREENFIELD

Is there a meal you've had that stays with you as a particularly wonderful experience?

NEVILLE ISDELL

Well, if it's for the food it'll be one answer. If it was for the content, it will be another. And for the content, three weeks after he got out jail, I had a private lunch with Nelson Mandela.

JEFF GREENFIELD

Now if we move to the more you know, the more material thing, for content?

NEVILLE ISDELL

Zafferano Restaurant in London, Risotto with fresh white truffles. (laughter)

JEFF GREENFIELD

May I just say many CEOs insist that it would be like a burger and fries and I genuinely admire that answer for (laughter). Thank you and you might even drink wine with that instead of –

NEVILLE ISDELL

You know what? I would definitely drink wine with that. (laughter)

JEFF GREENFIELD

This is definitely one of the most candid CEO's we've had. He had every shot to plug one of the hundreds of beverages and he went for the wine. (laughter)

ANNE MULCAHY

So I'm in the other camp, burger, fries and a beer and I'm a happy lady. (laughter)

JEFF GREENFIELD

My genuine thanks to Anne Mulcahy and Neville Isdell for taking time to join us here today. My thanks to you folks here as well, and if this meeting of the minds has helped contribute in some way to the world's marketplace of ideas, that is the business of CEO Exchange. I'm Jeff Greenfield. Thanks so much for watching. See you. (applause)

To learn more about the CEOs featured on this program, and other leading CEOs, visit PBS.org. To order this episode of CEO Exchange on DVD, call PBS Home Video at 1-800-PLAYPBS.

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