



CEO EXCHANGE PROGRAM #505 TRANSCRIPT

“FEEDING AND FUELING THE WORLD: HEALTHIER ALTERNATIVES FOR PLANET EARTH”

FEATURING PATRICIA A. WOERTZ and ROBERT W. LANE

TAPED ON FEBRUARY 19, 2007 AT THE UNIVERSITY OF CHICAGO GRADUATE SCHOOL OF BUSINESS, CHICAGO, IL

TEASE

Think crops are just for food? Soon they may be fueling your car or business. Join two CEOs sprouting new ideas for planet earth. From the University of Chicago’s Graduate School of Business, Patricia Woertz of Archer Daniels Midland. “It’s about a world that will be short of traditional energy sources from oil and gas.” And Bob Lane of Deere & Company, “When I give a key over to an Indian farmer, he’s so happy to have this simple tractor, it’s going to improve his life.” Two CEOs plowing fertile new ground 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.

APPLAUSE

JEFF GREENFIELD

Thank you and welcome. There are literally life and death questions for humanity and the planet. How do we feed the billions of us? How do we heat our homes, power our machines from farms and factories without destroying the planet in the process? And is the consequence of energy independence, higher costs for the food that is in desperately short supply in so many places around the world?

Archer Daniels Midland has long been a leader in processing crops into food products for global distribution, but as the world's top producer of ethanol, ADM is now concentrating its energy on the growing demand for bio fuels that may promise freedom from the fossil fuels to which the President has said we are addicted. And Deere & Company, it's come a long way from the self-scarring plow invented by the famed blacksmith back in 1837. Deere has forged ahead with state-of-the-art technology to ensure that crops are harvested more efficiently to meet the ever-growing demand for food and fuel.

When former banker, Bob Lane, an alumnus of the University of Chicago Graduate School of Business where we are taping this show, became CEO of Deere in 2000, he rooted out wasteful spending in a company that had become way too entrenched in doing things the old fashioned way. While expanding Deere's footprint abroad, we'll be chatting with Bob Lane, the Chairman and CEO of Deere & Company in just a few minutes.

But first, a compelling story for the business world, a former top executive in big oil with Gulf and then Chevron, who joined ADM on a mission to promote alternatives to fossil fuel, she's now a leader of a Fortune 100 company and a major player in an industry traditionally viewed as a man's game. Please welcome the Chairman and CEO of Archer Daniels Midland, Patricia Woertz.

APPLAUSE

JEFF GREENFIELD

So I don't know whether destiny is the right word for it, but when your parents took you on summer vacations, not to the Grand Canyon, but to the Heinz Ketchup plant and a steel mill and

factories, do you think they were trying to tell you something about where you should be spending your career?

PATRICIA WOERTZ

Well, I think it maybe was about lifelong learning. My mom spent a lot of time in the library as a librarian, and my dad was a CFO of a company and I think they both believed in learning things that were new and different and perhaps summer was an additional time for learning, not just for fun.

JEFF GREENFIELD

But it's been said, that you have said, that you had a long-standing notion, dream, to be a CEO. And you know, if you think of the dreams that most people have at a young age, they tend to be more romantic, more dramatic, more glamorous. Where do you think this came from?

PATRICIA WOERTZ

I'm not sure I understood at a very young age, what CEO even stood for, but I do know that making a difference in a major company with global operations, was something that I was very interested in, and I think some of these younger trips kind of triggered that.

JEFF GREENFIELD

There's one thing, you're a big sports fan. Right?

PATRICIA WOERTZ

I am.

JEFF GREENFIELD

Avid golfer?

PATRICIA WOERTZ

I am.

JEFF GREENFIELD

I talked to a Vice President of ABC where I used to work, many years ago, and she said, "You know, it really means something if I'm one of the few women in an old boy's network." That sports is a way to open a door. Is this true?

PATRICIA WOERTZ

Well, I had a love of sports before I sort of saw it as an opportunity to open doors or to have common ground with others. And I do find that as I meet many colleagues, it's often the way that you talk

about your family, you might talk about sports, what your favorite teams are, etc. Sometimes some good business is done on the golf course. So, I think it has been, it has been an entry.

JEFF GREENFIELD

So we'll ask the question, how does a former accountant rise to become one of the ten most powerful women in the world, as ranked by *Forbes* magazine? So for the answer, we're going to turn to CEO Exchange correspondent, Ceci Rodgers.

PATRICIA WOERTZ BACKGROUND PACKAGE CECI RODGERS

Patricia Woertz may never sing about leaving her heart in Decatur, but the former Chevron oil executive moved here from San Francisco with a mission, to help Archer Daniels Midland cash in on the ethanol craze. "Well, these are our fermenters and you know, you're at one of the largest corn processing plants in the world." The race is on to produce alternative fuels like ethanol as a way to reduce consumption of fossil fuels linked to global warming.

This plant pumps out million gallons of ethanol every day. Two more plants in the U.S. are under construction, along with a bio diesel plant in Brazil and another in Indonesia. A federal mandate calls for doubling use of alternative fuels over the next six years. Woertz calls it an important opportunity.

Pat Woertz supports a 10% blend of ethanol in every gallon of gasoline, but unlike E85 can run in any car, and help reduce American's dependence on foreign oil. "We think the U.S. market for ethanol can grow to 14 billion gallons and it's at about 5 billion gallons today, so that's almost a threefold increase."

Turning corn into ethanol is nothing new for ADM, but it's certainly the most fashionable use of the corn, soybeans, and other crops, which ADM also transforms into dozens of food products, like corn syrup for soft drinks, feed for livestock, and vegetable cooking oil. For 30 years at Chevron under her belt, the last five spent running its global operations, Woertz knows her way around the refinery. She's made safety a particular focus, having learned at Chevron that refinery accidents are costly.

STACI BOGUE-BUCHHOLZ

We see a lot of Pat in the plants and that's exciting. That's wonderful for bringing us all into the group and making us feel more engaged in the day-to-day operations of our company.

CECI RODGERS

Woertz followed in her father's footsteps working first as an accountant. As she quickly moved to Gulf Oil, which later merged with Chevron in early 2006, she retired suddenly and three months later, Woertz was hired as the first outsider to serve as CEO in ADM's 105 year history. ADM had been run by Dwayne Andreas and members of his family for 35 years. A reign marked by global growth and a price fixing scandal that cost the company hundreds of millions. "So Buenos Dias, Bon Dia, Bon Jour," within her first few months on the job. Woertz not only met with employees at ADM facilities around the world, she fired two rogue traders.

GREG BURNS

Apparently it took no time at all for her to make that decision, and it could very well have been the same decision that her predecessor Alan Andreas would have made, but the fact that she did it, when she did it, immediately after starting, made people notice.

CECI RODGERS

People are also noticing the company's results. Profits are running at a record pace, due to soaring demand for bio fuels. It's a departure from the normally quiet world of food products, which still make up the biggest part of ADM's business.

Commodity boom/bust cycles are legendary. But Pat Woertz had seen it before, and she isn't worried. "These are long term trends, not one that, you know, one quarter or another would really influence the longer term model." Trends that for now are turning golden kernels into pure gold. In Decatur, IL, I'm Ceci Rodgers for CEO Exchange.

JEFF GREENFIELD

There's one thing that somebody said of you, when you were at, I guess, either Gulf or Chevron, it was a plant manager, who said of you, "This is the first person from the executive ranks, who ever actually listened to what the folks at the refinery were saying." Why is it so rare a commodity that people just don't listen?

PATRICIA WOERTZ

Now I did spend a fair amount of time at the plant environment. I think it's very important to listen to what people are proud of, what

they think we should change, what their views are as far as what our strengths and areas of improvement are, because you learn so much from asking the questions of a wide variety of people in the organization and the refineries were some of the most important assets and people that we had in the company.

JEFF GREENFIELD

When you were back in your old job at Chevron, you once said, “You know, agricultural policy and energy policy don’t mix.” So if the Pat Woertz we’re talking to, head of ADM, could talk to the Pat Woertz who said that a couple of years ago, what would you say to you? Her?

PATRICIA WOERTZ

Sure. That’s a good one. Today, what I would say to myself then, is well the world has certainly evolved and if this isn’t about California gasoline, it’s not about California specs. It’s about a world that will be short, eventually will be short of traditional energy sources from oil and gas. And we need to have a diversification of supply, be it, bio fuel such as ethanol or bio diesel or other diversification of energy supply.

JEFF GREENFIELD

Speaking of which, ethanol, even though it is on the front burner to mix metaphors, it still has its skeptics. I mean there are some people who say, “You know what? It takes more energy to produce ethanol, at least corn-based ethanol, than the energy we get from it.” That would certainly seem to be a pretty serious criticism, if true. Do you reject it?

PATRICIA WOERTZ

It would be. It is. In fact, the USDA and the U.S. Dept. of Energy itself has done most of the studies of late, that that’s actually quite old commentary that is stated. There is a positive energy from an ethanol production.

JEFF GREENFIELD

Speaking of old commentary, this scenario where my day job mixes with this job, because it’s also bound up in politics. When John McCain was not running in the Iowa Caucuses in 2000, he was a very severe critic of ethanol. He has changed his mind on ethanol. He is also competing in the Iowa Caucuses next year, but some skeptic once said that if Idaho had the first Presidential caucus, we would be making gasoline out of potatoes. To what extent is there a political impact on how Congress and the Presidents, whoever they are, decide what to do with ethanol?

PATRICIA WOERTZ

The interesting thing about ethanol today and today in the U.S., is that it's not only supported by both parties and it's around being good for the rural community. It's around economics because of the high price of gasoline. It does compete. It is around what's good for energy security and thinking about perhaps supplementing or at least displacing some of the imported fuel or oil. It's good for people. It's good for job creation in this country, so it seemed to be supported by both sides.

JEFF GREENFIELD

From a free market point of view, does it make sense to have a 51 cent a gallon subsidy and a tariff that keeps out competing Brazilian ethanol?

PATRICIA WOERTZ

Well, I think it's a public policy issue that is playing a role of trying to encourage again, an industry that is sort of in its early stages of development. I think eventually, eventually, ethanol will compete on the open market globally like any other commodity and those things will eventually phase out. But for the moment they exist for a public policy.

JEFF GREENFIELD

Just one more thing on this, do you care whether ethanol is corn-based, switch grass-based, sugar cane-based or whatever?

PATRICIA WOERTZ

I care that it's all based. Absolutely. I think we should have corn-based, it's here and now. We're investing in cellulosic technology. We'll invest more in sugar. We have some investment in Brazil, but probably will do more so. I think it will be needed from all feed stocks. In fact, diversification of feed stock is pretty critical.

JEFF GREENFIELD

I do want to turn to one aspect of your career that I still find almost unbelievable, which is, as stories go, that when you got pregnant, one of your superiors said to you, "this is going to ruin your career, so get this fixed and expense it."

PATRICIA WOERTZ

Yeah.

JEFF GREENFIELD

From the point of view of 2007, my jaw dropped reading that. I don't know what – I don't know what your response was, other than maybe your jaw dropped?

PATRICIA WOERTZ

Well, it was before I had children, so he was, I think, he was trying to coach me, but I did say, he said, "You know, you'll really ruin your career, you ought to get yourself fixed and just put it on your expense report." And so, you know, I think, I think what it said to me is some people don't think it's really wise to have a family and still continue a career, that is very demanding on your time and your life and so forth, but I really kind of felt that was just one person's view.

JEFF GREENFIELD

Oh okay, well that's reassuring.

PATRICIA WOERTZ

That's reassuring to my children too. I have three of them (laughter)

JEFF GREENFIELD

There is, there is a CEO of a major company of the female persuasion as they say, who said, you know, balance is baloney. I'm paraphrasing. Man or woman, if you're in this job, you're going to be putting in 80 hour weeks. You're going to be traveling all over the country, if not the world and that just has to be – has to be understood by your family, has to be understood by your kids. Was it? Were you able to find that support that said, "Okay I can do this?"

PATRICIA WOERTZ

Well I really think you can do it, but it's all about choices and it's all about priorities and I think your life is always in some kind of imbalance. And it doesn't mean that it's an imbalance that is unhealthy or not right for your family or not right for your career. I think it's very doable and these jobs are hard jobs.

I have brought my children kind of into my jobs occasionally. I give them –I remember when my daughter was eleven, I gave her a math problem that had to do with shipping and where we should sell ships or buy them, and she and her brilliant friends, solved the problem, probably faster than we did. Took us two weeks to kind of come to the same conclusions.

JEFF GREENFIELD

I have to ask, were you taking her on summer tours of Heinz ketchup plants and steel mills?

PATRICIA WOERTZ

Yes, she's an electrical engineer and she's very bright. She's doing well now. (laughing)

JEFF GREENFIELD

There's another area of your leadership that you stress a great deal, and that is, what you want of your employees; continual training, continuing education. Why do you think that is so significant?

PATRICIA WOERTZ

Well, I think it's about continual improvement, if I had to put a big title on it. Self-development, company development. Continuing to improve at a rate that, you know, the world and the competition continues to improve and if we can self-improve and our company can continue to improve and our teams can, I think the attitude of learning and developing is very very important.

JEFF GREENFIELD

We're going to pause here and take a question from a member of our audience.

FROM THE AUDIENCE

Hi, Miss Woertz. My name is Jennifer [...] from the University of Chicago Graduate School of Business, and I'd like to thank you so much for joining us here today on our campus. I wanted to know what experiences did you draw upon in order to effectively transition and lead into your new role at ADM, leading this, you know, over \$30 billion dollar company?

PATRICIA WOERTZ

Thanks for the question Jennifer. Well, a couple of things. You asked about what did I do to transition to this new role and certainly my former role which was sort of to lead a very large organization as well. It had over 25,000 employees, worldwide in 180 countries and we had many of the same strategic, longer term issues, as well as business planning issues, people issues, so I felt I could draw on a lot of that executive and leadership and coaching experience.

JEFF GREENFIELD

Thanks for the question. We have another question from the audience.

FROM THE AUDIENCE

My name is Noel [...]. I'm President of IOR Global Services. As your company continues its global expansion, what are some of the biggest surprises and challenges that you've encountered as a result of the different cultures, and certainly very different business practices?

PATRICIA WOERTZ

We've expanded to about 60 countries, and our objective is to have leaders that are local as well as sort of mixing the salad a bit, and allowing a U.S. leader to operate in Hamburg, and to have a German leader operate in China and having a Chinese leader operate in Australia. And a lot more diversity of leadership, I think, is one way to get that cultural experience, as well as to get more knowledge about our business practices across the world.

JEFF GREENFIELD

Thank you. Pat Woertz will be back with us shortly after we meet our second guest, for now, thanks.

Okay so maybe Washington, DC, Bob Lane's birthplace, isn't the likeliest place to gain a powerful sense of ethics. So maybe it was his alma mater, Wheaton College in Illinois, an evangelical school that had strict rules of student behavior, no smoking, no drinking, no dancing. Whatever the source, Lane makes no bones about integrity and ethics as working principles in his business life, and his passion for finding answers to intractable problems like worldwide hunger.

After starting out in banking, Lane joined Deere and found the ideal place to combine his talents, by modernizing both the business and the equipment, Lane has made sure his company still runs like a deer. Please welcome the Chairman and CEO of Deere & Company and proud owner of a 1974 MBA degree from the University of Chicago Graduate School of Business, Bob Lane.

APPLAUSE

JEFF GREENFIELD

Something about your company that's always puzzled me. There are people who haven't been within 200 miles of a farm, who wear John Deere caps; they wear John Deere t-shirts. There's clearly something about this company beyond what you sell and how you sell it. What do you think that is?

BOB LANE

Well, you're right, Jeff. People come from Manhattan and when they're visiting us, they're looking around, where can I buy a cap, you know? And I think it's because the company has stood for strong ethics for a long time. It's usually the good guy kind of cap that people like to wear, but I also think it's a connection with the land. People have worldwide, an interest in the land, which after all is kind of the soul of our lives.

Plus Deere & Company itself, I think, is iconic, in the sense that it's 170 years old. Not too many companies have been there that long, and really John Deere himself, the man, opened up agriculture. A lot of people don't know that story, but after all, that's been fertilizer, if you will, to the myth of the man.

JEFF GREENFIELD

You know what's interesting to me is here you're born and raised in Washington, you don't come from a farm family. And you went into banking and here you are in Chicago, at First National, I think, and Deere is a client or a customer. And you're looking across the table and somewhere along the line, I guess you thought, you know, I'd rather be there than here. Why?

BOB LANE

I had had the privilege to serve Deere as a banker, and I really admired this company. This company I thought was something special, particularly because of its global reach. Products from Deere could be sold in every part of the world, Kazakhstan, Germestan, India, China and I just thought this would be something very special to be part of something that could be really serving the entire world globally.

JEFF GREENFIELD

Before we go further with Bob Lane, we want to dig a little deeper in his background and John Deere's and here is CEO Exchange correspondent, Jeff Flock to help us.

BOB LANE PACKAGE

JEFF FLOCK

The keys to a new combine – “Thank you for the business.” Bob Lane presents them to farmer Larry Thompson, who just spent upwards of \$250,000 on one of Deere's top of the line models. Big sales have helped double Deere's profit over the past two years, pushing the stock near an all-time high.

DAVID VANSPEYBROECK

This place didn't look like this 10 years ago. I mean we were a factory ten years ago. Now we're business.

The combines that Deere makes here in Moline, each have 17,000 individual parts. The machines are incredibly complex and flexible, and they require an incredibly complex and flexible workforce to build. "These combines are really factories on wheels."

Bob Lane gets excited about combines and tractors, and road graders, bulldozers, front end loaders, forklifts, forestry equipment. You'd never know he started as a banker. "I came here in 1982. That was a terrible time."

JEFF FLOCK

Handling John Deere's business at the First National Bank of Chicago, Lane knew how badly Deere was doing back then. "It was a tough decision, I must admit at that time. And often I wondered, had I made the right decision because those were very – that was a very tough decade. Course you learn a lot in tough times." What he learned came in handy, when now 57 year old Lane took over as CEO seven years ago. Deere on another slump, Lane felt the pressure, only the third CEO who wasn't from the family of the original John Deere, who built America's first self-scouring steel plow in this blacksmith shop in 1837. "The aspirations are high, and everyone accepts that, I believe."

Convincing the workforce to cut costs, inventory and jobs, was a hard sell for members of the UAW plant boss. You bought into it.

GREG KROUTH

"In the end we did. We didn't in the beginning, quite honestly. There was quite a struggle in the beginning."

JEFF FLOCK

Workers got into it when they started to believe Lane was seriously listening to them about how the cuts and changes should be handled. "Congratulations."

MICHAEL ARNDT

I think there is a pretty good relationship and labor realizes that if they were going to maintain jobs in the U.S. and some of these well paying jobs, they're going to have to sacrifice.

JEFF FLOCK

The good labor relations led Lane to close some non-union plants and bring work back into new, retooled UAW factories, although the relationship may strain, if, as Lane has suggested, the company tries to cut healthcare benefits, when the UAW contract expires in 2009. “What happens if something is not correct?” Employees say Lane wants bad news early and straight. He doesn’t shoot the messenger.

HEATH BOZEK

In some ways you know, we have more aggressive roles. We have a lot more aggressive things that we’re trying to do but I think it’s taking Deere to a much better place.

JEFF FLOCK

Bob Lane grew up in Washington, DC, son of a banker, grandson of a Professor at Christian Wheaton College in Illinois, where there was no dancing, smoking, or drinking when Lane himself attended, while lettering on the swim team. Deere comes second only to family for Lane. He and wife Patricia have three children. A son is studying for the ministry. “Is it possible to run a great business and do it in a very ethical manner, and certainly at Deere, we’re showing it is.” His reputation has made him a favorite of the Bush Administration. The President spoke at the East Moline factory in 2002.

Deere could capitalize on Lane’s popularity in Washington. The company looking to develop robot versions of its Utility Gator for the military. That would help insulate Deere against the cyclical farm economy, which some think could turn down at any time. “For three years now we’ve performed at levels significantly above anything we had done previously. That’s just a start.”

But keeping the balance sheet John Deere green, through the next economic downturn, may be as his former customers like to say, “A tough row to hoe.” For CEO Exchange, I’m Jeff Flock in East Moline, IL.

JEFF GREENFIELD

When you first became CEO, the story goes, one of the first things you did was to move your desk away from the door. What was that about?

BOB LANE

Deere & Company headquarters is a beautiful facility that’s built by architect Eero Saarinen, that did the St. Louis Arch and it’s a

lovely facility, and the desk sits in among beautiful artwork, but it kind of kept the person coming in, separate from the person sitting behind this big desk. Simply turning it, allowed me to get up, to welcome each employee as a fellow employee.

JEFF GREENFIELD

But it seems to me that was kind of an emblematic of what you were doing at Deere, that is, you looked at this company and you said, “We got to change stuff. But if I got to make change, I gotta go talk to the people who are going to make the change.” And you were down – you were on the factory floor talking to worker teams, saying, you guys have to change, but I’m going to work with you on it.

BOB LANE

People have dignity. Individuals have dignity. Even if we have to let people go and we’ve had to close a number of factories and reduce product lines and so forth, but as we do, each and every individual has that inherent worth, and I think dealing with people that way, there’s been this opportunity to explain what we needed to do. We had a great company in the sense, great market shares, great products, great dealer network, but we didn’t have a great business. It was an okay business. And we needed to pull this great workforce together to make the business itself as great as the products.

JEFF GREENFIELD

One of my favorite things you said, because it’s so counterintuitive, you said to people, “This is not a family. This is a team. And if you’re not pulling your weight, you’re not going to be part of the team.”

BOB LANE

Yes, Jeff, that is correct. Because of course, the company that’s been around 107 years did, at one time have more or less a family feel to it. But I tell people, it’s actually a complement to a family because a functional family if someone is not pulling their weight, they’re not out at Thanksgiving dinner, let’s say. (laughter) But if you’re not pulling your weight here, I’m sorry, you’re not part of the team.

JEFF GREENFIELD

There’s another aspect of John Deere that I think for those of us not plugged in, was really surprising. I mean to those of us whose picture of the farm life is say *Green Acres*, you know the old TV show? The high tech aspect of what we might think of as a

literally down to earth company is surprising. You have said, tractors today are mobile information machines, guided by satellites. Tell us what GPS has to do with plowing the south 40?

BOB LANE

You can get in and where GPS in a car might just make the drive a little easier, there's a huge productivity improvement, if you can put down that implement, that seeder with the expensive seed, and put that right down in the exact place and when you get them in the field and the product picks up, driven by satellite, that implement, it turns the product and it sets it down at precisely the right place. Imagine mowing the lawn and not always getting it exactly right.

So the GPS allows a much more precise procedure over a long day. Imagine working for 15 hours a day and having to be exactly right every time. No human being can do it.

JEFF GREENFIELD

Was that driver on the tractor seat or is he or she manipulating a computer?

BOB LANE

Well they are on the tractor seat, but they don't have to touch the steering wheel after they get in. Often they're on the internet selling their grain into the futures market or evaluating their business opportunities. They can do that. You still have to be in there though doing it. You don't want to hit someone. (laughing)

JEFF GREENFIELD

I'm just picturing the Waltons dealing with this. It's a hard fit. But the other thing, it seems to me that you're trying to do with Deere is, classically growing stuff is cyclical. In a lot of ways, you seem to be moving Deere to try to cope with that, whether it's you're looking to build wind machines to harness the power of wind. You're looking to irrigation. Is this all in part designed to protect Deere from the traditional impact of bad weather or cyclical, you know, prices on the farm?

BOB LANE

Well it will help in some ways. However, we are still going to be a cyclical and seasonal business, and our goal is to manage the business in such a way that we would be a very good cyclical and seasonal business. But we worked and communicated with everyone that these big capital goods still will have times of high demand and low demand worldwide, and what we have to do is

run the business in such a way that it can be a great business under all business conditions.

JEFF GREENFIELD

In the whole debate about ethanol, it would seem to me from your point of view, higher corn prices are an almost an unalloyed good, that is higher corn prices mean your customers have more cash. They have cash to buy more machinery. Now let me put this bluntly. Is this a case where the business interests of Deere & Company may be not the same as the public policy interests of the United States in developing much more broadly based alternate fuels?

BOB LANE

Well you know, Deere works worldwide. For example, we build combines and tractors in Brazil. Sugar-based ethanol is a key product there. We're interested in cellulosic ethanol, very definitely. This is just one aspect of renewable fuels, which we think is appropriate. But I would share with you, Jeff, we aren't neomalthusians, we don't believe that there will be all of a sudden a stop in progress.

JEFF GREENFIELD

So you don't need to place your bets on one form of alternate fuel versus another?

BOB LANE

No, quite the opposite. As you, I think, mentioned earlier, we have the windmills. A lot of our farmers have the Saudi Arabia wind blowing over their farms.

JEFF GREENFIELD

Let me switch gears to an area that you seem particularly impassioned about, which is the whole issue of integrity and ethics in the workplace, which, from time to time makes headlines when it's not there. Where do you think this came from?

BOB LANE

You know when I was a young man, my grandfather, who was living in Washington, DC, as you said, used to take me every couple of weeks, my brother and I, to see the National Geographic Presentation, which would be a two hour presentation. Every one of those articles that was in the magazine, and we would talk about the world, but he also, he had been a professor at Wheaton, and he also talked all the time about ethics, about integrity, honesty. He was a man of deep faith. My father also went to Wheaton and

mother. We talked about that all the time when we were growing up. It's fundamental to a way of thinking and that is, it means transparent and straightforward.

JEFF GREENFIELD

So now we are going to take a question from the audience.

FROM THE AUDIENCE

Well hello, Mr. Lane. My name is Isaac [...]. I'm a 2nd year student here at the GSB. Earlier you referred to both John Deere's long heritage and its increasingly global presence. I wanted to ask, as the leader of the company, how have you been able to manage the evolution of both the Deere brand and its unique culture, as it becomes increasingly global?

BOB LANE

Well thank you Isaac for that question because it's a terribly important one. About half of our employees now are outside the United States and I consider one of the great privileges of leading the company to be able to work with our fellow employees in India, China, Russia and Brazil and so forth, and so we pass on what I was just discussing with Jeff in a very intentional way, those same types of approaches to ethics, to culture, to how we do business. We don't want our customers to in any way, not get the finest product possible. We don't always deliver it, but there's not a bone in our body that doesn't want to deliver the finest to them, and we pass that on through training, through videos, to bringing people into our headquarters. It's a terribly important point and I appreciate you asking.

JEFF GREENFIELD

Another question?

FROM THE AUDIENCE

My name is Bob [...]. I'm the head of Human Resources for a large healthcare organization here in the Midwest. Deere consistently is ranked among the best in terms of an organization for workers over 50. But about two-thirds I think, I read of your workforce is within six years of retirement. Does that bother you and can you share with us your strategy for replacing that talent in the organization? Does that include replacing positions with technology or moving overseas?

BOB LANE

When we look at the global workforce that I just mentioned and the kind of new people that have been brought into our company

over the last few years. That is definitely being ameliorated and so today it's almost an ideal situation. A lot of young people coming into our company they see the opportunity to, as they develop, they can learn from the people who might be retiring, and is eligible to retire, they may not choose to retire, and then they know that there will be an opening in a spot. So it's kind of ideal. You can learn and then you know there will be a path that will open up. Because as much as people like working at Deere, they actually like to retire better, I found out. (laughter)

And Jeff, you know the retirement fund at Deere, because I think you've mentioned this, it's fully funded. You know, we read about this. This is because of the business improvement and the cash flow generation. So this is part of the promise to the employees.

JEFF GREENFIELD

Before we bring back Pat Woertz, we're going to take you on a tour of our host for this program, the University of Chicago, Graduate School of Business. And here is CEO Exchange correspondent, Randal Pinkett.

SCHOOL TOUR

RANDAL PINKETT

Thanks Jeff. Chicago's GSB is in the heart of the historic Hyde Park District, on the beautiful south shore of Lake Michigan, home to the Museum of Science & Industry, Chicago's stunning architecture, and the vibrant Loop business district. MBA candidate, Matt Maloney, is feeding his entrepreneurial spirit as the head of GrubHub.com.

MATT MALONEY

That's right Randal. In my extracurricular time, I founded GrubHub.com, the only place to find all the restaurants that will deliver to you. I'm going to take you on a tour of the business school, but first, let's order lunch.

Ordering on GrubHub.com is easy. First, you enter your address and then you see all the restaurants that will deliver to you. You can go through their menus or coupons, and you can order online or over the phone. So what do we feel like ordering? Pizza? I like pizza. Let's go with that. The last thing to do is finalize the order and hit enter. Now I'll show you where I learned how to run a successful business.

Here in the Second City, the University of Chicago Graduate School of Business is the 2nd oldest business school in the world,

founded in 1898. But we also boast an impressive list of firsts. The first business school to have six Nobel Prize winners on its faculty. The first school to start a Ph.D program in business and to establish a minority relations program. And the first and only U.S. business school with permanent campuses on three continents. Asia, Europe and North America. And one more first, *Business Week* magazine named us the #1 full time MBA program in the nation.

Here at Chicago-GSB, we believe in the power of ideas. And my idea for Grubhub.com is significantly helped along with funding I wanted the new venture challenge sponsored by the Polsky Center for Entrepreneurship.

Hundreds of all-nighters and tons of take-out food later, and Grubhub.com has placed over \$4 million dollars in restaurant delivery orders here in Chicago and now has expanded to San Francisco and New York City. One of my favorite things about GSB is being able to create my own curriculum. Over half of the classes are electives. One of the really great things about being a student and an entrepreneur is that I can learn something in class and literally go to work and implement it.

One thing we changed is we don't have the narrow results on that result page anymore.

The Hyde Park Center is the hub of learning, culture and debate here on campus. Students come here to learn from a community of some of the greatest minds in business. I hope you enjoyed our tour. Now here's our grub. Thank you very much. Pizza's getting cold, Randal.

RANDAL PINKETT

Campus CEO Matt Maloney is no longer hungry for success. Back to you, Jeff. I'm going to go meet Matt for lunch.

JEFF GREENFIELD

Thanks Randall, thanks Matt. As you can see, Pat Woertz has come back to join Bob Lane. We've talked separately a little bit earlier and that is the idea of turning crops into fuel. China alone, fastest growing economy I think in the world, or one of them, is going to add 200 million more cars, 300 million more cars in the next 20 years, not to mention its explosive economic growth, not to mention what's going on in India.

When you talk about the possibilities for ethanol and other bio fuels over the next 10-20 years, are we talking about a drop in the bucket compared to what really has to be done in terms of global warming?

BOB LANE

Imagine, it wasn't that long ago, in the United States that it took you know, about 98 people working on the farm to feed 100. In the long scope of history, that was the way it was, and in a very short period of time, there was so much productivity created, that now it's about two feeding a 100. Now imagine this same sort of research that goes into new seeds and biotechnology, the kind of new processes, new productivity. We are at the threshold of enormous breakthroughs in productivity. We talked about the GPS driven tractors and what can come out of a certain field remains to be seen.

JEFF GREENFIELD

But there are a couple of issues that I think are worth asking. One is, the argument that if corn becomes for instance, a basis of energy, it will inevitably mean higher costs for food, because corn is a staple of our cattle. It goes into so much of our other food. Is there a danger that we are robbing Peter to pay Paul here?

PATRICIA WOERTZ

You know, price is kind of your friend. Price, higher prices of corn will attract farmers to plant more corn. And the one good thing about this renewables business is that it is renewable each year. So each year there will be a new crop. So actually, I think these higher prices are generating the opportunity to have more food and more fuel for the future, so the trends longer term are good.

JEFF GREENFIELD

When you start thinking about retooling equipment, vehicles, factories, have we thought through the ancillary costs of switching to this kind of renewable fuel, and are those costs themselves, one of the big problems we're going to have to face?

PATRICIA WOERTZ

Well, I'll use two examples. I think there is, certainly think about Brazil and what they've been able to accomplish in a relatively short period of time, where they have both ethanol, as well as petrol fuel, as well as a natural blending of the two, and a sale of flexible fuel vehicles in their country, to be able to be, so to speak, self-sufficient in energy. In this country, in the U.S., one of the

good arguments for continued growth in ethanol is a blended ethanol. A 10% ethanol, which can be in all the fuels that your car – all your cars you drive are warranted to a 10% blend, so while maybe pure ethanol will grow more slowly, a blended ethanol product and petrol won't need a separate distribution system, separate fueling, etc.

JEFF GREENFIELD

Quick follow-up, either of you. Why is Brazil so far ahead of us in this?

BOB LANE

Well they started with a strong commitment, back in the 70s towards an energy independence. It was actually a public policy decision.

JEFF GREENFIELD

But I need to – I want to ask you from your own company, is Deere retooling its own equipment? Stuff you sell? Would farmers now use blended fuels in John Deere combines and the like?

BOB LANE

Yes, you know, our large equipment uses diesel engines that we produce and it goes out with bio diesel blend in every unit going out from the U.S. And you know we see that growing. We see we're investing in our diesel engine technology. It'll be cleaner and cleaner and we see cellulosic on the future, which has a whole other opportunity, and now is the time at the front end of this opportunity to invest and to figure out how to make that viable economically.

JEFF GREENFIELD

Brief footnote. It's a term the President uses a lot. Can you in one simple sentence tell me what is cellulosic?

BOB LANE

It means, it basically means that these cells, if you will, you can't eat. So a lot of corn for example and soybeans can be fed to animals or humans. Wood, let's say, or straw that really nobody can eat.

JEFF GREENFIELD

I want to turn to the audience again for a question or two. Please sir?

FROM THE AUDIENCE

Good afternoon. My name is Leon [...]. I'm a 2nd year student at the University of Chicago GSB. Bio fuel has been a topic of today's exchange and my question is about its cost. As an average business owner, bio fuel does cost from 10-15% higher than fossil fuels. What would you say to a business owner who is thinking about to switch?

PATRICIA WOERTZ

Well I'll be happy to start with that. First of all, if you were to purchase a blended bio diesel product or a blended gasoline with ethanol product, it would not be higher than your gasoline products that you'd purchase today. So, what is happening is that it needs to compete in the consumer's mind or in the user's mind at the same place as its alternative. So that's a very important aspect. As far as the cost, we're the ones who are producing the ethanol that need to continue to work on getting that cost lower and lower and that's our job to do so.

JEFF GREENFIELD

Let me switch gears a bit to another challenge that both of you are intimately involved in, and that is, that is feeding the world. You both, you've talked already that you are not a neomalthusian, you are an optimist of this. Your company has been teaching, I believe, farmers around the world to be more effective. The broader way to put this question is, how much should society expect private corporations that are businesses, what should we expect of you to do?

BOB LANE

To meet the needs of society is the only way to really deliver a sustained, long term great business. And so when society worldwide, India, China, Brazil and so forth, Indonesia, need to eat more, there's a great opportunity for people to make money doing that. And as they do that, as Pat mentioned, the price level goes up, people respond to it and history shows that we continue to produce sufficient food. The issue is not that people are hungry because we don't have enough food. They don't have enough money to buy it.

JEFF GREENFIELD

Around the world there are roughly a billion people who exist on less than a dollar a day. And that's a generous measure. Now at that level, is there any role for a company like ADM to play?

PATRICIA WOERTZ

Well, you know, a lot of what pulls people out of poverty, is the opportunity for some economic development. So many locations that have rural areas that are not yet farmed, but could be good arable land for farming, companies like Bob's, like mine, like others, can help bring that economy farming practices. Farming that would allow them to, you know, pull out of that situation and be able to continue grow and be prosperous.

BOB LANE

When I travel in India and watch – saw that key, when I give a key over to an Indian farmer, he's so happy to have a simple tractor, it can improve his life. He's responding to the opportunity. We're doing that all around the world.

JEFF GREENFIELD

But then some of these places where the acreage is so small, and where it's so close to sustenance, is there anything that technology has to say to this part of the world? Or is this just a different area completely where we have to rely on other means?

BOB LANE

Well, perhaps the best possible news is that the economic philosophy of free enterprise has allowed an enormous number of people to start making money, not necessarily growing their own food, and they can buy food. And the people in China, 250 million of them now, another 250 million of them in India, are starting to have enough money to really begin to buy food and eat the way all of us enjoy eating. Every human being likes to do this. And that really is the prospect.

PATRICIA WOERTZ

I think the aspiration of continuing to grow in our company, continuing to grow in both the agricultural processing and the bio energy, if you think about it, it's not just food, it's all the basic sustenance that people - the basic needs of life. Food, mobility, heat, light, they all kind of come into this energy component of whether it's energy for the body, or energy to move around. If you can eat but you can't get your child who is sick to the local clinic because you have no means of transportation, you know, fuel is, sometimes is as essential to that human living as is the food. And I've seen the answers to some of those questions come in in the terms of holistic thinking, of the needs holistically, not just of one part.

JEFF GREENFIELD

Again, in the candor department, I think you scored very high. I think this was when you were involved on a part of a mission in Guatemala and I think one of the things you cautioned about, was that we, in this case, Deere & Company, can do a lot but within the parameters of what we are as a company. Both of you had established companies. Who has it easier in trying to turn this great ship in a different direction? The long term insider who knows the company or the outsider with the fresh look? (laughter)

PATRICIA WOERTZ

That's a good one. (laughter)

JEFF GREENFIELD

What do you think?

PATRICIA WOERTZ

Of course I'm going to say Bob has it easier. ADM is a wonderful company with a great history, a great legacy, wonderful people and some of what we're doing is being able to see this opportunity in the future, and I think I can help affect that, being the new kid as you describe it, in two ways. One, being able to paint the picture of the future so it's compelling enough that people can see it. And feel it and see what it can do for them. And secondly, to have people know that I care, that we care, that we as a team care, about them, about their development, about their future.

JEFF GREENFIELD

Did it help you, you think, that people – that you hadn't walked in from a completely different company, that you'd been there since 1982, that so they at look you, and said, okay, maybe this seasoned vet knows what he's doing? Was it a help?

BOB LANE

I believe it was. It is a tough job. I think ideally you want the leader to come from within the company. The reason is is that it is so essential to get the entire team moving together and knowing the company probably gives you a significant advantage in doing that. Now I was questioned. Some people said you'll never be able to make the changes necessary, because you're too comfortable there. You can't, you know, get rid of your neighbors and people you've known and worked with all these years. So some people don't think so. But it's tough, an ideally you want to know the company, know what it takes, and know how to mobilize the tremendous human resources that Pat just mentioned within the

company, and get them pulling together, and I think that makes it easier for the incumbent.

JEFF GREENFIELD

One thing that you are particularly dealing with, and you are hardly alone, is the daunting issue of health insurance. Employer-based health insurance. You have told your company in effect, the rules are changing, it's going to be higher deductibles, higher co-payments. Is employer-based health insurance simply an idea whose time has come and gone? Is the unique American experience of doing it this way, proven to be simply too costly, too uncompetitive to sustain much longer?

BOB LANE

Well I know in our case, this is part of the message of how we're going to be a great sustainable business. And so we are being candid and we are making changes and we have told people new hirers for example, there isn't healthcare and retirement, because people will live so much longer and you can't anticipate that we would cover that for years and years. So therefore you save during the course of your employment for that and make other arrangements. And so from our point of view, it's economic. And we are not at all happy that so many people are uninsured in the United States, and we totally believe different public policy is appropriate.

JEFF GREENFIELD

Right, but what I'm getting at here is that, I mean, traditionally, American business leaders would be the last people in the world to embrace any notion of universal healthcare. It sounds socialistic. It sounds, you know, unAmerican. And now I'm hearing that among some very significant companies, the CEOs are saying, we're at such a competitive disadvantage, with Japan and with Europe and with you know, with anybody else who will be rising, that we just have to begin one way or another to shift away from it. Now is this an issue that you're facing as a CEO of ADM?

PATRICIA WOERTZ

Well I would put it in the total context of costs in general. We're a capital intensive business, so it's our equipment and machinery and so forth in that sense and the second one is employee costs. And of course, healthcare and retirement benefits, etc. are part of that package. I think change is somewhat in the wind, but I don't think it will be jolting change. I think it will be evolutionary change.

JEFF GREENFIELD

Well one more time we turn to the audience for a question.

FROM THE AUDIENCE

My name is Donna [...]. I am with Harris Bank here in Chicago, Community Banking. Considering cutting edge technologies that you both utilize at your organizations, how do you ensure that your employees are not only trained, but truly embrace these technologies?

PATRICIA WOERTZ

Well let me try on a couple of examples. And that is, if you are making a significant technology change, it's really about a behavioral change. It's not about just making the process mechanical. It is really about changing the behavior of the full work process to perhaps embrace the technology that's going to benefit that. It's not just the technology piece alone. So it's really about human behavior.

BOB LANE

And the only thing I might add to that explanation, which certainly would fit us too, is helping human beings understand why something is happening seems to make a huge difference. You know when we're waiting if I could use an apt analogy, I don't know for, a plane that hasn't taken off yet, if they don't tell you anything, it's horrible. It's also horrible if they do tell you something. (laughter) But it's so much better if you just know why things are happening. Even though the outcome may be the exact same outcome, I think this is also apt to your question, is a deep explanation as much as possible as to why we're doing what we're doing. And particularly, because there's general suspicion about management.

What are they up to this time? (laughter) And so, explanation as to the reasons and why, what this might mean for my job. Will I lose my job? Why are we investing in India? Why is our global footprint expanding? Very clear explanations. And even when the news is bad, we try to tell it to them.

JEFF GREENFIELD

I'm nominating Lane to become CEO of every airline in America (laughter) That's just a personal point. Well before we close we're going to turn to what we call the lightning round. I'm going to ask each of you some short questions, and I'd like nice, short answers.

When was the last time you got really angry at work and what did you do about it?

BOB LANE

Well I can recall a very specific time when I got very upset on a fairly minor matter and the next day I came in and gathered the people together and I found it hard to apologize actually. But I told the people I was totally wrong and I asked they would forgive me.

PATRICIA WOERTZ

I get angry at myself a bit. I'm a bit impatient, and so I think I've closed the door and I've reflected and opened the door and I'm back to the normal.

JEFF GREENFIELD

Okay other than work, a skill that you think you're really good at.

PATRICIA WOERTZ

Hmm. Well I think the listening skill that you asked about earlier is one that works for life. So maybe I'd pick that one.

JEFF GREENFIELD

What do you think you're good at, really particularly good at?

BOB LANE

Oh I think I'm good at listening to my children and my grandson.

JEFF GREENFIELD

What do they tell you when you listen to them? What do they offer you? (laughing)

BOB LANE

My youngest son once asked me when we were traveling through Turkey, "Dad, you enjoy negotiating too much to get the price of that bread down." He was very insightful. I was enjoying the negotiation and not thinking enough about what the little higher price would have meant to those individuals. Very insightful for a young man.

JEFF GREENFIELD

That's impressive. I'd just like you to finish this sentence. While I still have the time or the energy, one thing I'd really like to do is?

PATRICIA WOERTZ

Oh hike the Patagonia's. I've always wanted to go to southern Argentina and do some hiking there and haven't made it yet.

BOB LANE

I would like to be able to see all my children with their spouses and grandchildren to be able to ski with me, sail with me, and some of them play a round of golf with me.

JEFF GREENFIELD

One last thing, if there was one person, let's make it a real person, other than your family, a public figure, living or dead, that you'd most like to sit down and have a long conversation with, who would it be?

PATRICIA WOERTZ

John F. Kennedy.

JEFF GREENFIELD

John F. Kennedy.

BOB LANE

Abraham Lincoln.

JEFF GREENFIELD

Not bad choices. That's why we have a bipartisan (laughter) and the last President elected from Illinois, so that's pretty impressive. Well our guests have obviously given us plenty of food for thought. So before we run out of energy, I really want to thank Pat Woertz and Bob Lane for being with us today and if this meeting of the minds has helped contribute in some way to the world's marketplace of ideas, that's the business of CEO Exchange. I'm Jeff Greenfield, and thank you so much for watching.

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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