



CEO EXCHANGE PROGRAM #507 TRANSCRIPT  
“THIS IS YOUR LIFE: LOOKING AT THE BIG PICTURE”  
FEATURING SIR HOWARD STRINGER AND BRAD  
ANDERSON

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YORK

TEASE

What electrifying new gadgets will keep you entertained? Connect with two CEOs who should know. From the Zicklin School of Business at City University of New York’s Baruch College, Sir Howard Stringer of Sony. “We make them, Brad sells them and you all steal them.” (laughing) And Brad Anderson of Best Buy. “I actually believe that one of the great things about retail is whatever you’re winning with today, is killing you for tomorrow.” Two CEOs focused on what’s in store for you, 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. Welcome to CEO Exchange. It’s not around the corner. It’s not a promise for the future, it is here and now it is shaking the worlds of entertainment and news and business to their roots. We are

talking about convergence, the much heralded arrival of the digital age where limitless information and divergence is a flick or click away. Your phone is your music library, as your encyclopedia is your production house. Everything you always wanted to see and a lot you don't, is in your computer, your TV, your PDA, on a screen 2" wide or the size of a barn door. That's what we'll be talking about with two of the key players in this brave new world, who joined us here at the Zicklin School of Business.

Now when Brad Anderson dropped out of studying for the ministry and into a clerks job at the *Sound of Music*, he was without a sense of confidence or direction. But the founder of that store, which became Best Buy a decade later, saw something in Anderson and that nervous clerk is now CEO of the largest electronics retailer in the country. We'll be chatting with Brad Anderson, the Vice Chairman and CEO of Best Buy in just a few minutes.

But first, one of the most unusual and engaging CEOs on the planet, born in Wales, of modest means, he set out for the United States with an eye towards seeing the world and landed a decidedly entry level job in TV news. Worked his way up to become President of CBS News, and later President of the CBS network, before being knighted by Her Majesty Queen Elizabeth II. He joined Sony USA and in an almost unprecedented move for a Westerner, he became the Chairman and CEO of Japan Sony Corporation a few years later. Please welcome the Chairman and CEO of Sony Corporation, Sir Howard Stringer.  
APPLAUSE

JEFF GREENFIELD

Welcome sir.

HOWARD STRINGER

Thank you, thank you.

JEFF GREENFIELD

Now Howard, we go back to CBS days. You were an award winning documentarian. You were a journalist, an ink stained wretch, and now you are the leader of one of the most powerful companies on earth. Where did you go wrong? (laughing)

HOWARD STRINGER

Yes, I'm the accidental occidental. (laughter) Thank you.

JEFF GREENFIELD

What I'm getting at here, Howard, is you have said that you don't know how you got into management in the first place. And yet the man who got you into management at Sony, has said of you, that you are one of the rare people with a natural born talent for management. But at some point, having done this for more than 25 years, you're not drafted. What appeals to you about it?

HOWARD STRINGER

I don't think anything initially appeals to me about it. (laughing) I mean I think I look back on the days when I produced CBS evening news and documentaries and I never intended to leave it. I mean, I really was literally accidental. I never had the ambition to be a manager. I was very happy writing, perhaps more anything else and I stumbled from one job to the other and in fact, being President of CBS News as you know, I did a lot of layoffs one year. I was profoundly depressed, and then they offered me the President of CBS and I thought well I better take this job before they lynch me at CBS News. That's sort of been my career pattern. (laughter)

JEFF GREENFIELD

One of the things that you've alluded to already is that even in your life, American citizen, your family is based in England, company is headquartered in Tokyo. Can you give us a sense of a typical or maybe in the last couple of weeks, where you've been and where you're going?

HOWARD STRINGER

Yeah, I was – I came back – I went from Japan on last Friday to the U.K. for the weekend, so I could see my wife and my children at school, and I flew – then Monday morning, I went down to negotiate a contract with an animator in Bristol, England. I flew from Bristol to New York Monday evening and I'm here until Saturday, when I go back to Tokyo for the joyous occasion of budget meetings, and I'll be there for two weeks and then I'm actually going to take five days off.

JEFF GREENFIELD

So we're going to ask the question, how does a Welchman, whose family lives in England, wind up leaving a career in New York to run a

company based in Tokyo? We're going to find out from correspondent, Greg Clarkin.

#### HOWARD STRINGER PACKAGE

##### GREG CLARKIN

He spans the worlds of electronics and entertainment, shifting gears between chatting with celebrities and discussing video game players. "So Playstation 3 will just quietly accelerate..." . As the first CEO of Sony who is not Japanese, Howard Stringer uses executive skills and diplomacy to guide the company.

Born in Wales, raised in England, Stringer came to the U.S. during the Vietnam War, and was promptly drafted. "I mean arrived in America in February and got a job in April and I'm drafted in May. This isn't right. Someone is going to rectify this mistake. And I was drafted. There I was in the army."

After serving, Stringer returned to the U.S. and spent almost three decades at CBS, at first making documentaries, then eventually becoming the Executive Producer of the CBS Evening News with Dan Rather.

##### DAN RATHER, GLOBAL CORRESPONDENT

I can't say enough about Howard's leadership skills. I'll detail something here. He's an eloquent speaker. He has almost a Churchillian, and that's not an overstatement, almost a Churchillian ability to inspire people.

##### HOWARD STRINGER

And we went into 1<sup>st</sup> place and stayed there for the rest of my time in that job. And Rather was at the top of his game and we were humming. We just had a moment in time in which we were unbeatable.

##### GREG CLARKIN

And the moment lasted awhile longer. Stringer rose to become President of CBS News, but then everything changed. CBS was sold to businessman Larry Tisch, costs were slashed and Stringer was ordered to cut jobs. "When I cut those costs, and had to let go of certain correspondents, and I think about somewhere over 100, 150 people, it was a miserable, miserable experience." After a stint as President of the CBS Network, Stringer left to sign on as CEO of TELE-TV, a video

venture formed by telephone companies that lasted just two years. Then Sony came calling. It was in sore need of help in its U.S. operations. Stringer signed on to what he admits was a vaguely defined position. “Some friends of mine thought I was mad. They said, you haven’t got a job! No, that’s more or less true. Nobody reported to me. The studio didn’t report to me. The music companies didn’t report to me. I had a sort of strategic role with people in this building, three floors of this building. That was about it. But it was a foot in the door and it was another - it was another adventure.

Stringer brought order to Sony’s U.S. operations and was rewarded with the CEO job, selected over two internal Japanese candidates to shake up a company accustomed to doing things the old way.

#### TOM LOWRY, BUSINESS WEEK

By virtue of the company that Sony is, I don’t think there is a media executive that faces the kind of challenges that Howard Stringer faces. I mean, think about it. He is a content company, but he’s also a hardware company. And that means that, you know, in TV and movies, he’s facing, you know, competition from Time Warner, News Corp, Walt Disney Company. And you know, in gaming, you know, he’s got Microsoft or the Xbox, and the prospect of waking up every day and facing Steve Jobs and Apple, trying to take share away from him in the gadgets area.

#### GREG CLARKIN

Stringer has been CEO of Sony for two years, a period during which there have been two high profile missteps. In one, Sony had to replace millions of laptop batteries and the other, centered on this, the Playstation 3. There were production problems and Sony simply wasn’t able to meet demand during the holidays.

And there is the ongoing battle he faces as he wrestles with Sony’s culture. It’s a company that dominated in the age of hardware, but has struggled in this age of software.

#### DAN RATHER

The road is littered with the carcasses of people’s reputation, who underestimated Howard Stringer. Even under what might appear to be dire circumstances. I would not bet against him . I would bet on him.

GREG CLARKIN

In New York, I'm Greg Clarken for the CEO Exchange.

JEFF GREENFIELD

Thinking of jobs you did take, there was one detour between CBS and Sony where you went to work for TELE-TV, a consortium of three, I guess, baby Bells? That I guess was going to lead us into the feature in 1995. I note that the phone companies are still trying to get into the future of things like cable. Was that an idea that was just too soon, or just the wrong idea to begin with?

HOWARD STRINGER

No, it's clearly, it's happening today. I mean there's no question that cable's biggest threat is the telephone company's with DSL lines delivering content over fiber. I mean it's not – it's not as competitive yet as it would like to be, but it's clearly arrived. And when I joined that company, at a moment of mad abandon, I thought that why not, since I had been in management and didn't know much about that, why not be an entrepreneur? I didn't know much about that either. (laughing) And in fairness, it was a mistake. I mean it was great fun, we put together content. We, we, we – for about a year, we looked like we'd be delivering television over phone lines and then the phone companies decided long distance was a better bet. And they pulled the plug. And that was it.

JEFF GREENFIELD

When you went to Sony, USA you did something that you also did when you went to Sony, the parent. And that is, you reached out to advisors, consultants who really seemed to be not the run-of-the-mill consultants, Louis Gerstner, the man who many credit with saving IBM from a near death experience. He said of Sony, he said, just as at IBM, the cultural issues are the most fundamental and most difficult. And I don't think he was talking about national culture, but rather corporate culture. And you yourself, have been very outspoken about what you are fundamentally trying to change about this iconic, very successful, very well regarded company. Silos, the inability of people to connect with each other.

HOWARD STRINGER

Silo is essentially a vertical organization, which creates teamwork in the collaboration and can be very effective. Playstation was originally a

silos. But in the analog world, you need people to communicate horizontally, you need software to connect device to device to device. And because the company was so vertically integrated, each, each product group was vertically integrated and with its own world, including the music company, including the movie company, including the digital camera division, including the computer division, the - and nobody was speaking to each other. Nobody was willing to understand that the digital world was fundamentally different from the analog world, and so the first job that I had to do was reach out and find ways to get these people to collaborate with each other. And that's not a job I finished.

JEFF GREENFIELD

Two years before this device called the iPod came out, Sony had what was it called a network or Walkman? That was the same idea, I guess, and here you are, the company that conquered the music world with the Walkman, everybody and his grandmother almost owned a Walkman or Discman. You were two years ahead of Apple in the sense of having something and yet somehow it just didn't get translated.

HOWARD STRINGER

Well, actually, we were even further ahead. I mean what drives me crazy is when I first went to Sony in '97, we had a joint venture with IBM called Electronic Music Down Distribution and we started, together we were going to do the whole thing. What Apple accomplished, we set out to do five years earlier, and we, we just couldn't get the software. We couldn't get the company to understand that software was about cooperation. And even the music company was uncooperative, because the music company saw the digital future and panicked and didn't like it very much. That device you talked about if we had created an open system and said we're not going to try and do - We're not going to try and do what Apple - Apple subsequently created an island, if we just let it open to the world, Apple wouldn't have had a foothold.

JEFF GREENFIELD

So in a sense, the culture is as responsible as anything else for that failure.

HOWARD STRINGER

Yeah, yeah.

JEFF GREENFIELD

Let's take an example of one of Sony's historic great strengths which is because your brand is so iconic and your products are generally regarded as superior, you get to charge more money for them than other people.

HOWARD STRINGER

That's true.

JEFF GREENFIELD

I guess BRAVIA would be the latest example of that. The high def television set? But the Playstation 3, which is a very advanced and expensive system, that you bet some of the company on, at least last year, you had to cut the price I think, to the point where you were selling it below cost.

HOWARD STRINGER

We were selling it below cost before I cut the price.

JEFF GREENFIELD

Oh, okay. Is it your notion that once people understand the potential of Playstation 3, that it's much more than a game, it's your window into convergence that you will be able to reverse this – you can bring the price up to so say a profitable level?

HOWARD STRINGER

You make it up on the software, it's the games is where we made it up on. So that when we had Playstation 2, it was a DVD player. It effectively started the DVD revolution, because it was the cheapest DVD player on the market. And it was – we sold that below cost, and then gradually you cut the hardware price down over time, and the software, the game development continues to pay and so more and more games. So now 200 million Playstation 2s. You've heard a lot about we're behind Xbox and Wii at Christmas, well actually they were all behind Playstation 2, which is still selling more. At some point, the advantages of Playstation will take over and that's when we hope we'll recover.

JEFF GREENFIELD

Just one more thing before we turn to the audience. Globally, you are very successful in partnering with Ericsson in the phone business. Now having seen what the iPod did to the Walkman, when you see Steve Jobs

stand up with the iPhone do you have ways that you'd like to tell us about, combating the iPhone?

HOWARD STRINGER

Well, the good news is, it says that Steve has spotted something, which we know about, that the phone is becoming the iPod. We sold more Walkman phones than iPods. I would never bet against Steve. But we're obviously a lot less worried than we were when the iPod came out, because we're all building variations on the same theme, and we all have – we have Sony has Ericsson's infrastructure, so there are some built in advantages.

But I would never sit up here and say I'm never worried about Steve Jobs. I mean the music industry isn't where it is today, in part because of Steve Jobs. That was bitter by the way. (laughing)

JEFF GREENFIELD

Before we meet our second guest, we want to take a question from the audience here at the Zicklin School of Business. Tell us who you are and fire away.

FROM THE AUDIENCE

My name is Hamlin [...] and I'm the President of Graduate Student Assembly here at Baruch College and I'm also a 2<sup>nd</sup> year MBA at the Zicklin School of Business. So here's a question for you Mr. Stringer. In spite of the tremendous investment that has been put into the Blu-Ray DVD technology, as well as the Playstation 3 and relatively low returns, how do you plan to position yourself in light of the competition, let's say from Toshiba's HD DVD format and Nintendo's Wii?

HOWARD STRINGER

We're outselling HD DVD 3:1 at the moment. We have three studios exclusive of Blue-Ray, Disney Box and Sony. These were the three biggest box office, whereas of last year, we had 15 of the top 20 movies and 8 of the top 10. And at the moment, even on a movie – Warners, which does both formats, *Departed* is selling 2:1 more Blu-Ray. So at some point, Blu-Ray, which is, I think an extraordinary advanced technology, and again, greater capacity than HD DVD, which is a transitional technology. If that trend continues and I don't really see any reason why it wouldn't, because the only exclusive studio for HD DVD is Universal. And good luck remembering their titles last year.

(laughter) So I'm not very worried about Blu-Ray. I'm really not really worried about it. What was the other thing I was supposed to be worried about? (laughter)

FROM THE AUDIENCE

The Nintendo Wii console against –

HOWARD STRINGER

Well that's a wonderful device, but it is a different target audience – essentially a different target audience. If we fail with PS3, we've positioned ourselves a little bit dangerously as the Mercedes of video games. I mean the Wii has its own audience and is very effective and was skillfully designed and sneaks up on the PS3, which, for which we should be shot, but that said, PS3 is after an entirely different audience. It's a very very sophisticated game device, which can become a computer, can become a home server, can be a setup box, can become anything we can make it if we don't go broke in the process.

JEFF GREENFIELD

Thank you for the question.

FROM THE AUDIENCE

Thank you very much.

JEFF GREENFIELD

We're going to take another question from the audience.

FROM THE AUDIENCE

Hi, my name is Laurie [...]. There's a lot of data and research out there, about the cultural differences in the workplace, but from your perspective as the CEO of a Japanese company, in the United States, what would you say are the striking differences between American and Japanese workers and out of curiosity, are there any similarities that surprised you?

HOWARD STRINGER

Well, quite a lot of both. First of all, if you went into our management conference in May, which has about 1000 executives, you'd see about a dozen women, which is way behind anything here. Even though, like America in the 1960s, when I first came in the 70s, the women are very well educated and there are more than enough brilliant women to go

around. It's striking how many dark suited people stretch as far as the eye can see. That's something that we have to change.

The other, on the flip side, there's much less obsession with money. You can't entice senior executives with a pay raise. You can't. That's not what drives them. And it's the strangest – as strange as can be, but if you say, “pay for performance” which always rings – resonates in American and European companies, it doesn't resonate in Japan. They don't turn down money, but it isn't, it isn't part of the cultural motivation.

**JEFF GREENFIELD**

Thank you for the question. Howard Stringer will be back with us shortly after we meet our second guest. Joe DiMaggio supposedly once said, “I'd rather be lucky than good, though there's a lot to be said for taking advantage of opportunity and being good if you get lucky.” Brad Anderson admits that he wasn't a very good student. He dropped out of the seminary because he hated public speaking. Not sure what to do with himself, he clearly made the right career move, when he began selling stereos at Sound of Music, a three-store chain in Minnesota. Sound of Music went on to become Best Buy and Anderson became the protégé of the company's founder, Dick Schulze.

Perhaps his presence here today also demonstrates that he may well have overcome his distaste for public speaking in the process. So please welcome the Vice Chairman and CEO of Best Buy, Brad Anderson.

**APPLAUSE**

**JEFF GREENFIELD**

Welcome. When you think of the day when Dick Schulze asked you “Who should I name as store manager?” And you, somewhat insecure and a little shy, somehow found the, let's say guts, to say “me.” Do you ever look back and say, you know, if I hadn't said those few words, I might have had a completely different life?

**BRAD ANDERSON**

Oh I think I would have. I mean it was, first of all, when – this was Dick Schulze came out to, I thought to fire me, cause the company was doing very poorly at the time. (laughing) And he took me – we were in an old 7-11 store that had failed and was now a Sound of Music store, which is the parent company of Best Buy. He asked me to go outside onto the

sidewalk, caused I presume he didn't want to bother any of the customers with my crying. (laughter) So I mean it was – and he asked for my opinion, which I was stunned with, in terms of who should leave the company and I told him me, and it was completely out of character. And I was literally shaking. Cause I can't even imagine why he would have considered it, based on the response, but yeah, I would have had a radically different life. Maybe better, who knows?

**JEFF GREENFIELD**

Well, what intrigues me about this, when you go out to a Best Buy Store and perhaps you see one of your salespeople, a little shy, maybe standing in the shadows, are you ever tempted or do you ever sort of seek that person out, remembering what happened to you?

**BRAD ANDERSON**

Well for me, out of that experience, I know you cannot tell what the employees contribution is going to be by that initial impression. And also to be honest with you, when I went to seminary, as you mentioned, probably the single thing I remember most is the seminary Professor telling me, you're really lucky if you have one good sermon in you. And I think that sort of was my one good sermon. Realizing that I had a contribution to make, that I didn't see, and knowing that as I'm talking to every person, every blue shirt at Best Buy, there is some contribution there. That the question is can they find a way to use it. Because I am, I am a recipient of some incredibly good fortune.

**JEFF GREENFIELD**

As the CEO of Best Buy, you spend a pretty goodly amount of time coaching, if I'm not mistaken, right?

**BRAD ANDERSON**

Some people wouldn't describe it as that.

**JEFF GREENFIELD**

What does it mean to tutor, to mentor, at the level where you are, as the CEO of a major company, what specifically do you do?

**BRAD ANDERSON**

First, it's trying to understand what's actually driving that particular person. What's the motivator that is driving the particular way they look at the world, and then figure out what kind of character you need to be,

to be able to help them get to the next accomplishment. And sometimes that could be bullying and the next person with exactly the same behavior, you could be maybe pat him on the back.

**JEFF GREENFIELD**

Before we go further, we want to find out how Brad Anderson turned a decision to leave the seminary into an inspirational career. Here's correspondent Jeff Flock.

**BRAD ANDERSON PACKAGE**

**JEFF FLOCK, CORRESPONDENT**

“Hi, how you doing?” When Brad Anderson visits one of Best Buy's nearly 800 stores in the U.S., Canada and China, “How's Vista done as a launch here?” he usually has very little to say. “What are you working on right now?” Mostly, he just asks questions. “What are you doing about that? So you're saying extend the network, what's the most fun part of your job today?” The man with all the questions has also had most of the right answers for Best Buy, a \$30 billion dollar a year company that has dominated consumer electronics retailing for the past decade.

Best Buy stock has risen 60% since Anderson became CEO in 2002. It was a Forbes company of the year in 2004. Extraordinary success for the unlikeliest of CEOs. “I was a C high school student and I was told by my guidance counselor, “Hey, you know, you should not go to college.” “He told you right out?” “Oh yeah.” You're not good enough for college? “I don't blame him, he had all the evidence to support it.”

Anderson who grew up in a devotedly religious Minneapolis home, tried to follow in his father's Lutheran pastor footsteps, but dropped out of the seminary. Living in a trailer in 1972, he took a clerk job at the store where he bought his own stereo. Brad Anderson got his start more than three decades ago, in an aisle like this one at a store that would later become Best Buy. He was so bad at selling audio equipment, that he ended up quitting.

His Sound of Music store manager begged him to stay. They were short on help. Finally, desperate to sell a customer a set of speakers, “And I told him if he would buy it from me, I would deliver it, install it, make sure it worked, and the guy said yes, and he lived like 80 miles away from the store.”

Anderson's enthusiasm caught the eye of Dick Schulze, founder of the Sound of Music stores, and Best Buy, who promoted the former clerk to store manager and ultimately CEO.

**KELLI VANNOY, OPERATIONS SUPERVISOR**

It just shows that no matter where you start, you know, whether you're on the bottom of the totem pole, the sky's the limit, as long as you, you know, put your mind to it and go for it.

**JEFF FLOCK**

The rest is electronics' retailing history. Best Buy has boomed over the 44 stores in Canada, and has acquired a stake in a 136 store electronics chain in China, where it's also opening Best Buys. "That's HD done right at Best Buy."

Along the way, Anderson realized that consumers didn't trust commissioned salespeople, so he ditched them. "Even though I used to be one." Then put all the stock out in the open, so customers could just take what they wanted. The Best Buy warehouse concept was born, which, back in 1989, was heresy. That was a big gamble at the time, right? "Yeah, well, we almost went out of business doing it." The company has flourished, betting on the next right trend, like developing the Geek Squad, which helps customers set up their own equipment, not unlike Anderson did for his customer with the speakers.

Anderson's latest bet, something called Customer Centricity, elaborate store redesigns to appeal to the company's very best customers. Though some question the cost of the makeovers, at ½ million dollars plus per store.

**ROBERT BERNER, BUSINESS WEEK**

In addition, it takes more training of employees as well, which adds to expenses. So at the same time you're seeing prices fall quicker on their products, so they're facing profit margin pressure, they're facing higher expenses. So it's a real juggling act.

**JEFF FLOCK**

"This is going to completely, next week this gets completely redone." Costs bunch of money doesn't it? "Yeah." How do you know it's worth it? "Well, but as long as our returns are good, the money is relatively

trivial to the overall outcome. And we get a return on investment that's extraordinary.”

The pressure is on, but Brad Anderson has made a career of coming up with the right answers, mainly by asking the right questions. In Palm Desert, California, I'm Jeff Flock for CEO Exchange.

**JEFF GREENFIELD**

You are noted for sometimes behaving the ways that most CEOs don't, like disappearing for several weeks. Now as a slacker, I admire this but (laughter) but my hunch is you're not slacking. What do you?

**BRAD ANDERSON**

I think that a big part of it these jobs is to try to understand the context the company is in. And that if you always look in the same space, you don't actually see the kinds of issues that the companies are going to be facing, or you miss opportunities. So, when I first took over as CEO, particularly, I spent a good deal of time just going around and trying to find out what frames of thought were out there that we weren't using.

**JEFF GREENFIELD**

Can you give me an example of something that you found on one of these quests that actually made a big difference to Best Buy?

**BRAD ANDERSON**

Yeah, actually, it's how we wound up founding ultimately customer centricity.

**JEFF GREENFIELD**

But what's interesting is that this new theory says, wait a minute, the idea of a big box store where I'll just walk in and buy a VCR, take it home and I'll hook it up. You got, it seems to me, maybe because of the nature of the new products, a radically different concept. We need people in those stores to appeal to particular kinds of buyers, those famous Barry's and Jill's, the soccer mom, the techno geek, I don't know if you have a category for people with disposable income, but a complete lack of knowledge.

**BRAD ANDERSON**

Ah yes we do.

JEFF GREENFIELD

Oh that would be me. (laughing) But you're targeting these stores to say, no, no, we need more than just the products. We need an atmosphere here where people will want to shop and can find answers to questions. Isn't that a 180 turn from what started that –

BRAD ANDERSON

I actually believe that one of the great things about retail is whatever you're winning with today, is killing you for tomorrow. So you've got to look at what what am I not delivering to the customer, but that currently has got the customer attracted to me, but is eventually, people are going to get tired of.

JEFF GREENFIELD

There are two parts about your leadership that I have to admit that it seems to me, the most skeptical person has to go hmm. One of them is, a couple of years ago, you decided that your stock options, you were going to distribute to the employees.

BRAD ANDERSON

We had a little tiny company that became very successful and so I wound up making a lot of money that I never would have imagined. So, I thought one of things that I could do was take my own stock options, and give them to people who would not get stock options otherwise. And to begin to start setting a model where we were looking at the opportunity of the future and knew that it was going to come from people in unexpected places in the organization, and they had to be recognized when they made the achievement, or they wouldn't continue to make the gift.

JEFF GREENFIELD

The second thing at the corporate not the retailing yet, you have something called ROWE, result oriented work experience is it?

BRAD ANDERSON

Environment.

JEFF GREENFIELD

I didn't believe it the first time I read it. As understand it, please correct me, you don't have any office. You don't have any hours.

BRAD ANDERSON

It depends on the particular kind of job. One of the things and this was an experiment initiated by a couple of employees. We're trying something called work sharing, so two young women that were working for us with children, both were up for management positions, but neither one could invest the kind of time. They decided to share the position. So structurally you can use creativity to meet the needs of employees, if you understand that it's sort of how do you structurally meet the needs of the employee? Now this is we're working on all of these tools, so they're not refined. Hopefully they'll continue to progress.

JEFF GREENFIELD

Once again, we want to take a question from the audience here at the Zicklin School of Business. Tell us who you are and ask your question.

FROM THE AUDIENCE

Hi, my name is Angela [...] and I'm a 2<sup>nd</sup> year MBA student here at the Zicklin School of Business and my question is this. How is it that Best Buy is going to stay ahead of the competitors in ways that is not just based on price?

BRAD ANDERSON

Well, one of the things we've got and actually kind of like it, is that the sign above the door says, Best Buy. So there's a marketing constraint that we got to have as an organization. But we are doing all sorts of other things, Geek Squad for instance, is a brand we bought as a little tiny company with a few people and it's now a company of 14,000 people in two years. So we're beginning to add solutions or different kinds of brand promises based on what customer needs are, into that mix, that give you more of a range of choice than just an item with the lowest possible price. We think we'll always be doing that. But we better be doing also some more challenging things at the same time.

JEFF GREENFIELD

Thank you. Before we bring back Howard Stringer, we want to take you on a tour of the Zicklin School of Business, which is hosting our program today and here is CEO Exchange correspondent, Randal Pinkett.

SCHOOL TOUR

RANDAL PINKETT

Thanks Jeff. I'm here at Baruch with a true campus CEO. Zicklin MBA Ricardo Rezk, who started Ricardo M. Panada, which makes empanadas, one of my favorite foods. Ricardo, tell us more about the company.

RICARDO REZK

Randal, these are baked empanadas that I make here in New York City.

RANDAL PINKETT

Excellent. Let's learn more about your company.

RICARDO REZK

I'm originally from Buenos Aires, Argentina. Later I was a professional clarinetist with Miami's New World Symphony. But manufacturing always fascinated me, and after watching people making a mess, eating burgers and pizza on a New York subway, I knew there was a better and healthier way to eat on the go. I knew how to make empanadas, baked dough with filling inside. But I needed to learn the skills to create and run a business.

So I decided to get my MBA at Baruch. Baruch's Zicklin School is the top rated public business school in New York and the largest accredited business school in the country. Let me tell you about just a few of the resources at Baruch that helped me become a successful business owner.

Here in the Sobotnick Financial Services Center, the Wasserman Trading Floor is the only simulated trading environment of its kind in New York. Baruch's Newman Library was recently named the best college library in the nation, by the American Library Association. And more minorities graduate with business management and marketing degrees from Baruch, than from any other college in the country.

My year-long internship at the Field Center for Entrepreneurship helped me create my business plan, while learning from established business owners. I also participated in the entrepreneurship competition and was honored to win seed money to help start my company, at Rico M. Panada, LLC.

The empanada varieties like chicken pot pie, red beans and rice, and broccoli & cheddar, are carried in supermarkets and health food stores here in New York City and we're also planning national distribution. My empanada is made with all natural and organic ingredients and without trans fats. I'm proud to give back to the New York community by donating empanadas to charities and proud to have my MBA from Baruch College, Zicklin School of Business.

RANDAL PINKETT

One thing is clear, Ricardo, you have taken full advantage of the resources here at Baruch. Now I don't know about you, but I'm hungry. What have you got?

RICARDO REZK

We have red beans and the beef. Which one would you like?

RANDAL PINKETT

I'll take the red beans.

RICARDO REZK

I'll take the beef.

RANDAL PINKETT

Eat your heart out, Jeff. Back to you.

JEFF GREENFIELD

Thanks Randal and Ricardo and welcome back Howard. Curious as to the interaction between a retailer and a supplier. I'm wondering you know, what the relationship is between a supplier of one of many electronics products and somebody who will sell pretty much anything. I mean here is an ad in *USA Today* from this very day, and it is an ad featuring Best Buy and Samsung and –

BRAD ANDERSON

Thanks for bringing it here. Appreciate that. (laughter) I had nothing to do with that.

JEFF GREENFIELD

Well, considering this appeared in *USA Today*, I'm not sure you could have kept this a secret. But my point is, you know, what's the balance between say look we really want Best Buy to put Sony front and center

and the realization that they're going to put front and center one of a whole lot of products?

HOWARD STRINGER

It's realistic. But it is a difficult process, because it's his job to sell the wretched Samsung as well. (laughter) And, but when he gets it wrong it's okay to tell him, you know? But we – look I have stores, not many but we have Sony stores, about 40 stores in the United States and some more in Canada and around the world, and on one level, they used to be, I can remember when I first arrived, someone said, no, no, no, we can't have Sony stores because the retailers will be really offended. And then, but then again, retailers will start selling cheap Chinese products and will undercut me, you know?

BRAD ANDERSON

That's our brand. (laughing)

HOWARD STRINGER

So I said look we're going to sell it. We're not really competitive, because we maintain our very high prices and we've developed this sort of – we're not going to turn into a major retailer, but it's a way of keeping my brand alive and getting people to sample Sony products, so that they can go to Brad's and buy them cheaper. (laughter) And which I like. So the relationship is not hostile anymore and the truth is, we can learn a lot about, for example, the packaged goods business, the music and DVD business is under stress. We make them and Brad sells them. And you all steal them (laughter). I had to go there didn't I, didn't I? (laughter) So the relationship is much more helpful than it is adversarial.

JEFF GREENFIELD

But I'm trying to figure this out from my point of, which is a complete illiterate technique. Okay? I pick up the *New York Times*, Circuit Section every week and every week I break out in a cold sweat because it's 50 products all claiming to do the same thing. And I'm picturing the guy who just bought the Shmecklman 4 and now there's a new launch of a Shmecklman 5 which is half the size, half the price and it'll balance your checkbook, lower your cholesterol, rearrange your sock drawer, and I'm trying to figure out how do each of you stay ahead of what looks like this tidal wave of new products, all promising more stuff?

BRAD ANDERSON

Well first of all, you don't stay ahead. I mean it's – the consumer has the benefit of this incredibly competitive ecosystem. And I think some of the best – because there's so much change in our business, some – it's one of the hardest places to operate. Because you really don't know what products are going to hit and what products aren't. I presume even you possibly-

HOWARD STRINGER

I mean it drives me crazy. I go out and buy a cyber store camera without finding out that there's a new model coming the day after, which is anti vibration or whatever, it has all these various gimmicks and I mean I read a review of a brilliant Sony product, I didn't know we had, yesterday. (laughing) A product that translates VHS tapes into DVDs and it got a stunning review and damn it if I knew we were making them! (laughing) So, there's only so many hours in the day and if you go to a – there's a Sony tech fair every year, two of them, private for Sony only, and the array of prototype products and new products around it, is – it's in a room this size with different rooms, but about this much area. Arrays and arrays of products that we might make, that we've created prototypes for and the okay will be given. You cannot keep up. You just can't keep up.

BRAD ANDERSON

And this is actually an industry that is hard to make money in, in spite of a rate of innovation that's actually historically staggering. So, I mean I literally I had bought a camera once and never used it before it was so obsolete that I wanted to find a replacement for it.

JEFF GREENFIELD

But and yet, on top of this, it seems to me that something else has happened which may be this audience is better able to talk about it than us folks, and that is, this whole notion of viral marketing, that somehow people know almost instantly, what's hot and what's not. Four months ago it's the Razr phone and now it's a completely different phone and it seems to me that the normal or rather traditional way that products got to market and got buzz, advertising and whatever, there is something else going on here that maybe folks of our generation are completely clueless about.

BRAD ANDERSON

The consumer is being allowed to participate and the networks for cross communication are genuinely being used by consumers and it's it's undercutting the footing underneath large enterprises, which makes it - we have to adjust very rapidly to massive amounts of change.

HOWARD STRINGER

I was in England to visit my son at school and I started talking to his classmates about movies and they all said they wanted to see *300*. Now *300* had not been promoted in the U.K. yet and hadn't opened in the U.K. yet and it was Saturday, they didn't know the box office numbers on Saturday morning of *300*, yet that movie was hot in the ether. And I said to him, how do you know you want to see *300*? And it was a combination of magazines, and they watched the internet and they had seen a trailer on the internet and they watched whatever. And they were ready – they were all of them ready to go see *300*. And that's not dissimilar from the devices. It's word of mouth is extraordinary and then in some ways this audience virtually designs products.

JEFF GREENFIELD

Well I feel your pain (laughter). Let's take a question from the audience.

FROM THE AUDIENCE

Very good evening. My name is [...]. I'm a 1<sup>st</sup> year MBA student at the Zicklin School of Business. It's a pleasure to have you both on campus today. My question is, considering the rapid pace of innovation in technology in consumer electronics and the media industry today, what according to you is the biggest challenge coming your way in your respective businesses? And what kind of mechanism do you have in place to face those challenges?

BRAD ANDERSON

We're looking at each other. Great question.

HOWARD STRINGER

We know everybody in this room loves music and movies. How do we know we can continue to sell them? And if we can't sell them, how do we make devices for them? So there is a kind of chain reaction of everything we do and how do we keep a premium on our devices which Sony has, because the Sony brand is still trusted and admired in this

country. How do we stay ahead of endless amounts of commoditization and cheaper products, where digital products are created almost instantaneously, to look exactly the same as the one that we've just made, and spent a fortune on?

BRAD ANDERSON

So our biggest challenge as an organization, and it's #1 if you're an executive at Best Buy, it's #1 thing, that we've got to figure out how to solve. Which is how do you find a way to listen to the best idea of 128,000 people? Because there's really not a good excuse for it anymore for us to not listen. The information is available virtually to everybody in the system, and most of the people who are maybe farthest away from my executive chair, have better insight into what actually is going on in the marketplace than I do.

HOWARD STRINGER

And you can't be complacent, because I mean I had a meeting with a brilliant young engineer the other day, and Sony Ericsson phones, have really been the hot item in Europe and I guess it went into 3<sup>rd</sup> place, went by Samsung at Christmas, and he came up to me and said he thought we had missed the boat on some new piece of technology we were two years behind, we were falling behind, and I had barely celebrated Christmas. You know, I was thinking, God this is exciting. Everyone is talking about how good Sony Ericsson is and a young engineer tells me we're about to miss the boat. So you live in a perpetual state of panic. (laughter)

JEFF GREENFIELD

We're going to take one more question here.

FROM THE AUDIENCE

Hi, my name is Tim [...] and a 1<sup>st</sup> year MBA student here at Zicklin School of Business. And both of you're notable for starting at the bottom of your respective industries and working your way up within the same company. Do you see your employees taking that same path today or has career paths fundamentally changed?

BRAD ANDERSON

I think that's one of the big myths that's out there. Actually, this is a few years old, but four years ago, I read a research which said the biggest single indicator of income was how long you stayed in the same

company. And I think there's an enormous advantage of, first of all, and something we've talked about together, we're driven by – the dreams that our companies have of what they want to do in the world..

HOWARD STRINGER

Yeah I say start at the bottom. If I could have started a bit higher, that would have been fine. (laughing) And I think if you start wherever you can, I think if you have the confidence and the personality and whatever, and intelligence, once you get into a place, more often than not, you will be able to succeed. But one of the things that is worth, I think remembering, is you ought to always look like the job you are doing is the job you always wanted. And you treat it that way. No matter how humble.

JEFF GREENFIELD

Thank you for the question. You mentioned something about we may have too much technology. And you know as somebody whose biggest dream is to have the Geek Squad take up permanent residence in my house, because I don't know how this stuff works, wouldn't – wouldn't that be in some ways, the definition of a next great thing, is something that can do all this stuff, with absolute simplicity? That you could run it as easily as you ran, forgive me, an iPod or a DVR to program a DVR? Isn't that what, what you guys should be really –

HOWARD STRINGER

But that's what I said. Seamlessly, I mean something that doesn't require lots of buttons. A slight problem for Sony is the Japanese love technology so much and they love remote controls. The rest of the world doesn't much but they love their remote controls and lots of buttons and all the rest of it, but I think, I think it's the seamless interchange, where you have to do very little and we're all looking at fewer and fewer instructions. Smaller and shorter instructions, fewer buttons, fewer everything and so that we can take the 18 million baby boomers with us, all of whom are sitting around like you looking puzzled. So in theory, I can deliver the James Bond movie to that television screen in Brad's store, one week after it's released or 10 days before it's released on video. There are all kinds of – and I'm bypassing the computer to do that. Just go straight to the – straight to the television set and those kind of getting straight to your devices and if I can then take that content and move it around, so that you don't have to pay for it more than once. That you can bounce it around to every single device.

You can take it to your PSP when you travel or you can put it on your computer screen, or you can put it on your watch, or a cell phone, or whatever it is you want to do, you can migrate it seamlessly between all those devices. And that's going to be exciting, because I think under those circumstances, we will sell more content and sell more devices.

JEFF GREENFIELD

We talked earlier about what you want to learn from your employees and I think it's worth mentioning there's a device called a TV Taco that I think one of your workers came up with?

BRAD ANDERSON

Yeah.

JEFF GREENFIELD

That struck me as a perfect kind of example. You ought to tell us what that's about?

BRAD ANDERSON

It was a real -- we were in as flat panel televisions were coming in. They're very heavy and very easily damaged. And we found that we had -- we were damaging a lot of television sets and the financial ramifications were enormous. And one of our line level employees, came up with a very simple construct of using some foam padding, essentially a plastic sheath, putting it around the set before it was moved, putting some handles on it that almost completely eliminated the damage. And it was just -- we got a lot of examples of an employee given an opportunity to assume responsibility for the problem, seeing something that our engineers didn't see or couldn't find.

JEFF GREENFIELD

Being a good guy, I'm going to see if Howard can offer you some assistance in something you're about to do. You are plunging into China as a market, where the competition is often ruthless, the profit margins are about 1%. They sell DVDs for less than the cost of the -- they take players for less than the cost of the DVD disk. What does he -- what does Brad have to watch out for or concern himself with about the -- trying to go into a marketplace with a different culture that you've experienced, going to a company with a different culture taught you?

HOWARD STRINGER

There isn't anything on this that I could teach Brad. I mean he's thought this through. I mean we have 30,000 employees in China and but interestingly enough, the most success we're having is in movies and music in China because the Chinese are very interested in that aspect of it. They're very competitive with us on electronics. So it's a kind of delicate balance. But on movies and music and the relationship is very positive because we're both inventing together. So the answer is that you have to work with the Chinese. You can't adapt an imperial approach, but Brad knows what – he's custom eccentric. You can be very careful and don't be loud about it.

The success we've had in China is not well known. And the reason we've been successful in China is we don't want people to know how successful we've been, because the Chinese like it that way.

JEFF GREENFIELD

Okay. For one final time we'll go to the audience for a question.

FROM THE AUDIENCE

Hi. My name is Susan [...] and I'm a Human Resources professional. Both of you have talked about achieving growth in your organizations by changing, changing the culture, changing your strategy. Given the size and the geographic location of all of your associates, how have you been successful in getting your associates to embrace your change, to embrace your vision and execute it?

HOWARD STRINGER

We have so many employees around the world. The interesting thing about the moment when I became CEO and started to visit India and China and Russia and elsewhere, is that all our employees who were not Japanese, were very excited because they all had the feeling that there was, first of all, there was a lot of expatriate Japanese working around the world, so there was a ceiling.

HR is now more critical than they ever understood at Sony and I believe along with Jack Welsh that the head of HR is as important if not more important than the CFO, and for us, it's really really important. We have to get Chinese executives to run Sony China, Indian executives to run Sony India and we've got a huge task, but people like working for Sony.

JEFF GREENFIELD

Before we close, we're going to turn to what we call the lightning round. These are short questions. They require short answers. In deference to Howard Stringer, I will not ask what's on your iPod, but what's on your music listening device? What do you listen to?

BRAD ANDERSON

I'm terrible with this because I listen to an insane amount of stuff. The most recent stuff is Company, the current Broadway musical.

JEFF GREENFIELD

Howard, what do you groove to?

HOWARD STRINGER

I sort of- I run - look I'm supposed to, I run a music company. I'm not – I'm not oh Curran. I mean when Freddie Mercury died, I lost interest really. (laughing) I listen to it and watch a lot of opera. I know it makes me old fashionable.

JEFF GREENFIELD

If you can have dinner with a public figure, not a member of your family, living or dead, who? Who would you love to have a long, leisurely dinner with?

BRAD ANDERSON

Churchill.

JEFF GREENFIELD

Why?

HOWARD STRINGER

Why the hell not? (laughing)

BRAD ANDERSON

Somebody who was completely out of sorts for the world he lived in and comfortable with staying there. And also dealt with what he called the black dog that dealt with – depression.

JEFF GREENFIELD

You can't pick Churchill because you were mean.

HOWARD STRINGER

I can, because I stood in line for 11 hours at his lying in state. And I was a student of the via fore Churchill at university, so for me there's no greater man than Churchill in our century.

JEFF GREENFIELD

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

BRAD ANDERSON

This afternoon. (laughing)

JEFF GREENFIELD

I see a lot of blue shirts out there.

BRAD ANDERSON

None of them. I get angry at folks who are doing things that I disagree with and I have to keep managing myself to realize hey, first of all I may not necessarily understand it very well myself, and I've got to understand that they're coming at it with a different point of view, but I generally, I get angry.

HOWARD STRINGER

Yeah, when I'm in one country I'm worrying what the hell is happening to me in another. And it's not a thing of being angry but again, this morning there was a meeting in Japan yesterday, I wasn't at the meeting in Japan because I was here and I thought you shouldn't have done that.

JEFF GREENFIELD

Outside of work, this is not a question about work, what do you think you're good at?

BRAD ANDERSON

If you'd ask my wife, she'd tell you nothing. (laughing) I think I'm curious about a ton of things so I think that following that curiosity is it.

JEFF GREENFIELD

Howard? Tennis, golf, croquet?

HOWARD STRINGER  
Rugby.

JEFF GREENFIELD  
Rugby?

HOWARD STRINGER  
The sport faded into the back of my memory a little bit. And I'm watching it, I'm particularly good at that. (laughing) It's hard to say I'm good at anything in particular, except writing speeches. It amuses me. They're not necessarily good, but they amuse me.

JEFF GREENFIELD  
A noble profession. Outside of work, what are you not good at?

BRAD ANDERSON  
Oh, anything that requires any level of coordination.

HOWARD STRINGER  
Not very good at seeing my family enough at the moment.

JEFF GREENFIELD  
That is a cost of what you've done, that's really –

HOWARD STRINGER  
It's a great cost. They now come to see me, but my wife is here in the audience came over this week and my daughter will come to Japan with me the week after next and my son will come to New York with me, but I don't and since I took this job, they didn't mind my taking the job, because they love Sony toys, but it's - but the blackmail isn't quite as good as the social experience.

JEFF GREENFIELD  
Understood. And finally, I'd like you to complete this sentence. Before I get too old, I'd really like to?

BRAD ANDERSON  
Oh, I'd like to drive highway 66 from Chicago to L.A..

JEFF GREENFIELD  
Okay, Howard?

HOWARD STRINGER

I'd like to go back to every place I've spent my college vacation on.  
(laughing)

JEFF GREENFIELD

That is so provocative a notion. I think it's a perfect way to end and as it happens, we're out of time. Thanks very much to Howard Stringer and Brad Anderson for spending time with us and if this meeting of the minds has helped contribute in any way to the world's marketplace of ideas, that's the business of CEO Exchange. I'm Jeff Greenfield. Thank you very much for watching. (applause)

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

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