

News monitored for: Pepsi - Corporate

THE ECONOMIC TIMES



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EXCLUSIVE

[PAGE 13]

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Interdependence in the world is not just among geographic regions but also among functions that seemed unrelated in the past. Diplomats and CEOs must now appreciate and articulate the overlap between their roles.

Business and Diplomacy WORKING TOGETHER



INDRA NOOYI
Chairman & CEO, PepsiCo Inc

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COMMERCE CONFLUENCE

If you imagine the nation as a corporation, then the ambassador, in his role as commercial diplomat, is the executive we have in charge of investor relations. As I surveyed the job description of investor relations, at every point I saw an immediate parallel with your responsibilities as commercial diplomats

“Rewards in the diplomatic services should be more clearly tied to success in commercial endeavours. The country needs to make it clear that commercial diplomacy is central to its ambassadorial mission”

THERE IS NO QUESTION THAT TODAY WE live in a world that is uneven, unsafe and unsustainable. It is uneven because the fruits of an era of great prosperity have been distributed unfairly. It is unsafe because resentment in some states has taken the form of terror. It is unsustainable because we fear that the risks we have taken with the environment will visit dire consequences in some regions of the world.

For all these reasons, many segments of the population in many nations, developed and developing, young and old, feel uncertain, unsettled and unhappy. So, whether you look through the lens of diplomacy or the lens of the corporation, the task is the same: to create a world in which we feel safe, settled and happy. My argument today is that we can only feel safe and settled through economic development.

Of course, diplomacy will always have the crucial tasks of deterring violence, negotiating peace and organising alliances against terrorism.

But, in the long run, only economic prosperity can produce progress. And prosperity, in turn, cannot be willed into existence by governments. Prosperity arises out of innovation and enterprise, from the technological ingenuity and the skills that are housed in the great companies of the world. And from there, prosperity needs to move seamlessly across the world so that no country is left behind.

This means that the corporate CEO and the ambassador, you and me, are locked in partnership. There is no distinction between my objective—the success of a global company—and yours—the success of the nation in which that company is sited. As a company, we need a nation to succeed. In turn, the nation is healthier if the company succeeds in bringing employment and tax revenues. When it works, there is a virtuous circle. Our interests are totally aligned.

The ambassador must be a commercial figure bringing in investment and globally promoting corporations originating in India; the CEO must be an ambassador, constantly opening new areas of the world to invest in.

As you well know, this was not always the case. The original ambassador was largely a state diplomat. He represented, reported, negotiated and protected. The diplomat was the face of the nation overseas. He was the main, and sometimes the only, channel of information back from distant lands to the centre of power at home. It was his job to ensure that the nation was served in trade negotiations and power politics. It was his job too to take the weight of responsibility of protecting his nation's security and interest.

That is no longer a complete description of the job you have to do in the world today. The landscape of today is profoundly different from a few decades ago. Mutual dependence has grown. Global financial connections have spread. Power is more diffuse; challenges more intertwined. Security risks no longer emanate from a few powerful states. They come, also, from warring social factors in weak states. In the poorer countries of the world, a despairing lack of economic opportunity feeds resentment and extreme political causes.

ALLOF THIS NEW PRESSURE PLACES A greater emphasis on what we know as public diplomacy: the art of conquering not territories but hearts and minds. Diplomacy today has broken out of the corridors of power. It takes place in contact between business and citizen, citizen and citizen, and media and citizen. The lines of communication have opened a thousand doors and the conversation between nations has flooded through. Now, with the growing importance of social networks, the cacophony is uncontrollable.

But perhaps bigger even than these has been the growth in the scope of trade.

I think that one of your most urgent tasks is to be a successful commercial diplomat. The commercial diplomat will, in the course of everyday diplomatic conversations, always be promoting the nation's interests, ensure the government is taking an active role in promoting the national image in the global market to invite foreign direct investment and conduct negotiations over such vital issues as trade barriers and intellectual property rights. The three elements of commercial diplomacy are, of course, inter-related.



The ultimate aim of diplomacy remains, as it ever was, security. Security and prosperity rely on each other. The two desirable objectives have come together.

So, as I considered the increasing demands on the ambassadorial role, an analogy occurred to me from the corporate world that, the more I developed it, the more illuminating it seemed. The man who invented the law of limited liability, Robert Lowe, described the new joint stock companies as little republics. Today, some of these companies are rather large republics. And some of the larger companies are actually larger than the smaller nations. PetroChina's market value, for example, is larger than the GDP of South Africa, a G-20 country. The profits of Russian oil company Gazprom were the same as the GDP of Jordan.

If you imagine the nation as a corporation, then the ambassador, in his role as commercial diplomat, is the vitally-important executive we have in charge of investor relations. And, as I surveyed the job description of investor relations, at every point I saw an immediate parallel with your responsibilities as commercial diplomats. There are five aspects of the job where I think the comparison is really helpful.

The first task of investor relations is representation. The investor relations executives represent the company to its investors. A thorough and sophisticated understanding of the company is indispensable. They have to know our strategy and all our operations. They must have a clear-headed appraisal of where we stand in relation to all our major competitors.

OF COURSE THAT IS A CRUCIAL JOB. FOR THE investor relations executives to do their job well, it is critical they have a seat at the table within the company. At PepsiCo, we make sure they are fully briefed on our strategy and operations. We make sure they travel the length and width of our enterprise to understand it. We make sure they have status within the company. As the CEO, I ensure that every sector and functional head makes the time to listen to what the investor relations people say and then act on it.

Just as the investor relations executive is the representative of the company, the commercial diplomat has to represent the nation and all its commercial interests with investors. He needs to develop a deep understanding of the commercial history and possibility of the nation. He needs to be a great advocate for its enormous potential and capacity for absorbing investment.

The second task for our very own in-house

corporate diplomat is to develop full understanding of all types of investors. Some investors are seeking companies that grow over the medium term, some are looking for stocks they think are undervalued at current market prices, and some want a steady flow of cash from a healthy dividend. The investor relations executives have to be able to tailor the company's message to each fund based on its needs.

Just like the investor relations executive, the commercial diplomat needs to have a clear understanding of all the investors in the marketplace. Investors come in two forms: buyers of Indian goods and services, and direct investors into India. Coming to a full understanding of each of these classes of investors is not easy. The modern ambassador needs to open doors, but not so much the doors in the corridors of political power—the diplomat needs to open doors to economic power.

The third aspect of the role of corporate ambassador is to be adept in the art of persuasion. The world of investment is rapidly changing. An investor who spies what he thinks is a better return will have no compunction about moving. In this world of flux, the diplomat of investor relations needs to be sure that he has made his case widely, consistently, repeatedly and clearly.

The successful commercial diplomat will have an unrivalled fund of economic knowledge. He will be the go-to guy for information about the investment opportunities in the country, about the regulatory regime, about business taxation, and about the possibility of government support in establishing an enterprise.

The fourth requirement of the ambassadorial role in a company is visibility. There are not many days when the investor relations executives are not visiting one of our investors, listening to their issues, and relaying their concerns back to corporate headquarters. The CEO cannot be too well informed and the investor relations executive is the eyes and ears in the investor world. The dialogue has to run both ways. The investor relations executives are the trusted spokesmen for the company amongst those who supply its capital and they are the trusted channel of information.

This means that successful investor relations executives must be responsive to investors. He or she has to be close by, always at the end of the phone but often responding to their concerns in person, on the ground.

Being visible, responsive and available. That is a new kind of requirement of the commercial diplomat. It requires constant travel, into the industrial heartlands, into places unknown to previous generations of ambassadors.

THE FIFTH ASPECT OF INVESTOR RELATIONS relates to what the investor relations function demands of a corporation. An investor relations person agrees to do the job only if the company she is representing is clean from a corporate governance perspective. Today, it is impossible to invite investors into a company that is opaque, or does not adhere to the highest standards of corporate governance.

Lastly, the investor relations person also makes sure the company shows humility. Companies go through cycles and we want investors to stick with us through thick and thin. So, we should remain transparent, accessible and open to investors through bad times too.

This translates, in the world of commercial diplomacy, into the absolute need for candid advice. If a country is not as hospitable to business as it might be, if its corporate governance standards are not up to world standards, then its leaders need to know about it and be willing to do something about it. The job of the ambassador is to have the authority and rank to be able to say this without fear of reprisal. The ambassador should also ensure that multinational companies invest in India, they are treated well and accorded the importance and rights consistent with local companies. Similarly, the ambassador needs to make sure that they are humble in representing their country.

I don't think the commercial aspects of diplomacy are ancillary to the main task. And I don't think they should be the exclusive province of specialised assistants. I think they are a significant and important part of the diplomatic mission.

Do you, as ambassadors, especially those representing India in the top 20 investor nations, have a seat at the table in India when economic policy is being formulated? Is your input solicited in the relevant departments of government?

Do you, as ambassadors, fully understand all the potential investors into India from the country you are positioned in? Have you segmented them based on the country's needs and their ability to invest?

Do you have a compelling way to talk about India or specific states in India to them? Is your pitch sufficiently nuanced and tailored? Are you able to deliver on your commitments?

ONCE AN INVESTOR HAS COMMITTED TO India, do you do your part to ensure that they can function effectively in India? Are you constantly monitoring them and helping remove roadblocks, if any?

Do you leave your city of domicile and travel the length and breadth of the country you are visiting taking the message of India, its companies and its prospects to every key investor? Do investors understand you? Are they captivated by your story?

Do you give candid feedback to the relevant government ministries on investor perceptions? Do you demand action, diplomatically of course? Do you do this especially for transparency and business practices? Lastly, do you take the time to actually visit your investors and thank them after they have made an investment in the country?

I can tell you from my experience that a word of thanks works wonders. I was recently paid a visit by a distinguished ambassador from a major country for no reason other than that he wanted to thank me for bringing jobs to his country. I have to say the fact that he took the trouble to do that made a big impression on me. It was brilliant commercial diplomacy in action.

Perhaps, rewards in the diplomatic services should be more clearly tied to success in commercial endeavours. At the moment, the reward for taking on all this onerous work, as described, is not immediately obvious. For that to happen, the country needs to make it absolutely plain that commercial diplomacy is central to its ambassadorial mission.

Then, when those structural changes are in place, it may be necessary to open up the diplomatic service to people with a commercial background. It is a rule that I take from product markets that new supply tends to drive innovation. The new entrants to a market are the ones that spur innovation. Sometimes, they bring innovative practices themselves—often spurring the existing companies to innovate.

(Edited excerpts from Ms Nooyi's address to the heads of Indian missions abroad, brought together by FICCI and the ministry of external affairs in New Delhi on August 28)