

The CEO Forum

The Quarterly Publication *By* CEOs and *For* CEOs



A.G. Lafley
Chairman & CEO
Procter & Gamble



Fred Hassan
Chairman
Bausch+Lomb



Edward Reilly
President & CEO
American Management
Association



Maxine Clark
Founder & CEO
Build-A-Bear Workshop



Dolf van den Brink
President & CEO
Heineken USA

In this Issue

CEO Interviews

with:



Gary Bhojwani
Chairman
Allianz Life Company
of North America



Curt Anastasio
President & CEO
NuStar Energy LP



Paul Leone
President
The Breakers



Derek Leathers
President
Werner Enterprises



Kip Tindell
Chairman & CEO
The Container Store

The CEO Forum

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Companies In This Issue



Procter & Gamble is a global, publicly-traded Fortune 500 company, and the largest consumer packaged goods company in the world. Headquartered in Cincinnati, OH, it has operations in 75 countries. It had sales of \$83.7 billion and net income of \$10.75 billion in 2012 with over 126,000 employees. It has 50 Leadership Brands, which are among the world's best known household names and which account for 90% of P&G sales and more than 90% of profits. Leadership Brands include 25 Billion-Dollar Brands (each generating more than \$1 billion in annual sales). In 2012, *Fortune* magazine ranked P&G fifth on its list of "World's Most Admired Companies".



NYSE company.

Bausch+Lomb The company began in 1853 in Rochester, New York, as a small optical shop that grew to become a multi-billion dollar corporation with approximately 12,000 employees worldwide, and with products available in more than 100 countries. In October 2007, Warburg Pincus led the acquisition of Bausch + Lomb, which had previously been a publicly-traded



American Management Association

American Management Association (amanet.org) is the world's leading not-for-profit, membership-based management development, research and publishing organization. Each year, AMA directly interacts with over 100,000 managers and executives in the United States and around the world, through its renowned management education seminar programs and conferences. It publishes many newsletters, research papers and a quarterly management journal. Through its publishing arm, AMACOM, it publishes over 70 books per year. AMA produces hundreds of webcasts and podcasts that reach over a quarter million managers around the world each year.



Build-A-Bear Workshop, Inc. is the only global company that offers an interactive make-your-own stuffed animal retail-entertainment experience. There are more than 400 Build-A-Bear Workshop stores worldwide, including company-owned stores in the U.S., Puerto Rico, Canada, the United Kingdom and Ireland, and franchise stores in Europe, Asia, Australia, Africa, the Middle East, Mexico and South America. Founded in St. Louis in 1997, The company was named to the FORTUNE 100 Best Companies to Work For[®] list for the fifth year in a row in 2013. Build-A-Bear Workshop (NYSE: BBW) posted total revenue of \$380.9 million in fiscal 2012.



Heineken USA, a subsidiary of HEINEKEN International BV, is the leading upscale beer importer in the United States. It markets and sells a portfolio of world-class beers including European brands Heineken Lager, Heineken Light, Amstel Light, Newcastle Brown Ale and Buckler non-alcoholic brew, as well as Tecate, Tecate Light, Dos Equis, Sol, Carta Blanca and Bohemia brands from Mexico.



Allianz Allianz Life Insurance Company of North America, one of FORTUNE's 100 Best Companies to Work For in 2013, has been keeping its promises since 1896. Today, it carries on that tradition, helping Americans achieve their retirement income and protection goals with a variety of annuities and life insurance products. As a leading provider of fixed index annuities, Allianz Life is part of Allianz SE, a global leader in the financial services industry with 142,000 employees worldwide. More than 78 million private and corporate customers rely on Allianz knowledge, global reach, and capital strength to help them make the most of financial opportunities.



NuStar Energy LP NuStar Energy is one of the largest pipeline and independent liquids terminal operators in the nation. NuStar currently has 8,621 miles of pipeline; 88 terminal and storage facilities that store and distribute crude oil, refined products and specialty liquids; and 50% ownership in a joint venture that owns a terminal and an asphalt refinery with a throughput capacity of 74,000 barrels per day. The partnership's combined system has approximately 97 million barrels of storage capacity. NuStar has operations in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, the United Kingdom and Turkey.



The Breakers Palm Beach is one of America's legendary resort destinations, residing on 140 acres of oceanfront property in the heart of Palm Beach. Originally founded in 1896 by oil magnate and Florida pioneer Henry Flagler, this privately-held company still remains in the hands of his descendants -- an extraordinarily committed single family ownership -- and it continues to thrive independent of chain affiliation. Renowned for its gracious service, the AAA Five Diamond resort indulges its clientele, whether couples, families, meetings or gatherings in celebration, with its array of luxury amenities: two championship golf courses, 10 Har-Tru tennis courts; luxury spa; a half-mile of private beach and Mediterranean-style beach club; nine distinctive restaurants and five bars, shopping and numerous other premium offerings including club memberships.



Werner Enterprises was founded in 1956 and is a premier transportation and logistics company, with coverage throughout North America, Asia, Europe, South America, Africa and Australia. Werner maintains its global headquarters in Omaha, Nebraska and maintains offices in the United States, Canada, Mexico, China and Australia. Werner is among the five largest truckload carriers in the United States. Werner Enterprises completed its initial public offering in April, 1986 with a fleet of 630 trucks. Today, the fleet consists of more than 7,250 tractors, nearly 25,000 trailers and over 13,000 employees and independent contractors.

The Container Store®

The Original Storage and Organization Store®

The Container Store, on July 1, 1978, opened its doors in a small, 1,600 square foot retail space in Dallas. Kip Tindell (Chairman and CEO), Garrett Boone (Chairman Emeritus), and Architect John Mullen opened a retail store offering an exceptional and eclectic mix of products devoted to helping people simplify their lives. In doing so, they originated a completely new category of retailing, that of storage and organization. Today, with locations from coast to coast, our stores average 25,000 square feet and showcase more than 10,000 innovative products to help customers save space and, ultimately, save them time. The Container Store has 6,000 employees.

Dolf van den Brink

President & CEO
Heineken USA



The Magic of Bringing Brands to Life

Dolf van den Brink was appointed President and CEO of Heineken USA, the nation's premier beer importer in October 2009.

He joined the company following a successful four-year tenure as the commercial director and deputy general manager of Bralima, Heineken's operating company in the Democratic Republic of Congo. In that role, Van den Brink was responsible for all commercial activities and a sales force of more than 750 with sales offices in six regions and 15 sub-regions.

Prior to his time running Bralima, Van den Brink served as the international channel development manager for Heineken N.V. from 2003 to 2005. He began his career at the Heineken Head Office in 1998 as a commercial management trainee.

A native of the Netherlands, Van den Brink graduated from the University of Groningen with a dual Master's degree in Philosophy and Business Administration. He also participated in the Advanced Management Program at the University of Pennsylvania's Wharton School. Van den Brink speaks five languages.

He currently resides in New York City with his wife and their two children.



“One of the key things we did was take a good look at the culture in the company.

- Dolf van den Brink

Robert Reiss: What are the brands for which you're responsible under the Heineken umbrella?

Dolf van den Brink: Today we're a true portfolio company. Our old legacy brands are, of course, Heineken and Amstel Light. A couple of years ago, we added the Mexican portfolio where Dos Equis is the lead brand, the brand of "the most interesting man". I'm sure a lot of listeners will know the commercials. Also we have Newcastle Brown Ale from the UK. And lately, we added Strongbow Cider to our portfolio.

Let's talk about when you took over as CEO. The year was 2009. Heineken came to America in 1933, and had double digit growth through about 2007, when there was a decline in the high-end beer industry. Describe what the atmosphere was like.

I arrived in October 2009 at a low point for our company. As you said, for decades we had very healthy growth and we were the first beer to land on the shores of the US after Repeal of Prohibition. We grew decade after decade.

After a couple of years of decline we had some leadership turnover, and employee engagements in the organization were negatively affected. We were not in

a good position and we really needed to grab the steering wheel with the leadership team to get us out of that situation.

What were your first steps in the turnaround?

I arrived from the Congo where I was working for Heineken before. I landed in the US and literally two days later, I was standing in front of the employees of Heineken.

What became apparent very quickly was that the people and the culture needed work. We were used to being a leader in upscale high-end beers. For years we were growing. I think over those years, we had become a bit complacent, and we had become used to the success we were having.

So one of the key things we did was take a good look at the culture in the company. One of things that worried me initially was that there was not really a high interest culture where there was transparency. So it was not that apparent to our employees the extent to which we were in trouble.

This is an interesting insight - you're a product business built on innovation, built on distribution, built on marketing and yet, you saw that the culture was the first step. Why really is that?



Dolf van den Brink with Robert De Niro

It is my personal belief as well as my experience in prior turnaround situations that in the end, it's all about the people. It's true we are selling package products, and we are selling brands. But ultimately, it's people who will create the brands and package the products.

We had an internal tool called a "climate survey". Other companies call it an "employee engagement study". It was loud and clear that there were issues in our employee engagement. And for me, it boiled down to trust and transparency. We had to re-inject that into the organization.

At the time, our offices were kind of old-fashioned. The CEO had this huge corner office and then the managers had offices and then the rest of the people were sitting in open spaces. My office was ridiculously big and it didn't even have a window or a door to the hallway, so people had to come in through a little walkway.

So one of the things I did after a week on the job was to have somebody install a gigantic window about six meters long and two meters high in my office. There was no frosting, and there were no little windows; there was just a big window. The signal I was trying to convey was, "There's nothing to hide. The management team is not hiding behind walls and doors. We are fully transparent". We needed to get transparency back into the organization.

That story spread like a wildfire through the organization throughout the country. From that point onwards, we took liberal steps to re-inject that transparency into the rest of our organization.

Did you know going in that that was the result you wanted or did it just happen that way?

It just happened. One of the things I learned from my mentor was, "When you present yourself to a new or-

ganization, talk about your values, and talk about your principles." So on my first day on the job, I talked about how I find trust and transparency important, not realizing at that point how relevant that was for the organization going forward. Then two weeks later, I just stumbled on this idea, "I hate this office. I'm really unhappy sitting in here and this is not the right thing for this organization."

What was the next step?

The next step was actually rebuilding the leadership team, and the first appointment I made was actually the head of HR. But rather than hire a HR professional from somewhere in the market, I chose the general manager of Heineken in Canada, Maggie Timoney, who's somebody I knew. Even though she had never worked in HR I knew she would be the right person for the challenges that we were facing.

How did you know she was the right person without having that specific HR background?

There were a couple of elements. First of all, I knew people and culture were our main issue, and I needed

somebody in HR who was the very best, the strongest person I could think of. Also knowing that we are intrinsically a highly commercial organization and very focused on marketing and sales, I wanted to bring in somebody who had instant credibility with our people.

By bringing in a commercially savvy person who had been a commercial manager and had been in commerce all her career I knew that was the right move. Last but not least, she loves people. There are a lot of people in HR who are great HR professionals but they don't necessarily love people. I found she combined lots of these traits. She lost two weeks of sleep over



“In hiring, I’ll take somebody with the right values and culture over pure experience on their resume.”

- Dolf van den Brink

debating my offer but then, thank God, she accepted it. I would say, she has been a very important element in the turn-around story.

Then we continued rebuilding the management team and I'm proud to say it's highly diverse. We now have five nationalities on the team, which I feel is appropriate given that we're an import company with a very cosmopolitan global set of brands. We are also 50/50 in gender and we're trying to create more diversity around ethnicity.

With these kinds of changes, it starts at the top. If you put the right management team together and convene a culture that you want to have, that creates a promising path for a company to move forward on.

It was not a diverse culture prior to that?

No, not as diverse as we would have liked it to be.

How do you know someone is the right hire if they don't have the background?

You'll never know for sure so there is no faultless way of hiring people. But for me, the key is whether the person you're vetting can walk the talk on the values that you embrace, and if they fit into the culture that you're trying to establish.

In hiring, I'll take somebody with the right values and culture over pure experience on their resume.

What were the next steps in the turnaround?

The next step was that the organization had become a bit borderless and rudderless, so we needed to establish a clear direction going forward. Rather than hire an external strategy consultant, we launched what we called "Project Apollo" where we worked on a new ambition and a new vision for our future. We did this by "freeing" around 15% of our organization, around

seventy-five people throughout our organization. We invited them to help us define our ambition but more importantly, also the four or five key issues that we were facing as a company, and then translate them into four or five must-win battles going forward.

It was amazing to see the energy that was unleashed by all of these people. Probably for the first time, they were invited to join into this kind of strategic discussions for the company. Basically four or five months later, it gave the management team a very clear picture on the challenges we were facing, as well as the best way forward.

It probably excited your people that there's now an inclusion type of culture.

Absolutely. Any leader knows that engagement is critical and we took it pretty far not by relying on a consultant but on our own people. It was a great milestone I would say.

Today, the strategic steps that we're making are going back to the very work we did during that Project Apollo back in 2010.

We're looking right now at this little horse here. Talk about this

horse.

At a certain point, we had the right leadership team. Through Project Apollo, we had clarity on the way forward and confirmation that the culture was moving in the right direction. But then still, we were feeling that the operating mechanisms in the organization were not yet as effective as they could be, particularly in meetings.

A couple of the challenges that you have is to enable people to speak their minds in meetings, and particularly if it involves more junior people disagreeing or sharing better ideas in the presence of more senior executives. So, we came up with a small set of little



“By having the ability to grab a card and hold it up while saying, ‘Hey guys, I’m challenging you back on this.’”
- Dolf van den Brink



Dolf van den Brink explaining “the horse” to Robert Reiss

tools. One of them was... how would you call these cards?

These are little laminated cards that say: “Do and decide;” “Shiny objects alert;” “Challenge, have another solution.” How would someone use these?

They are perhaps a little silly, but they are highly effective. In meetings, by having the ability to grab a card and hold it up while saying, “Hey guys, I’m challenging you back on this,” this gives a mandate to people to speak up. Again, it sounds silly. But it’s human nature to submit to a group bias or defer to the most senior person in the room.

So, if someone junior is at the table and they don’t want to speak but they really want to question something, they can hold up like a little red laminated card that says “Challenge. Have another solution”?

Exactly. Then people will say, “So Patrick, I see you don’t agree with the group. Share your thoughts.” The funny thing is after a month, people are no longer grabbing the card. It’s just a symbol; it’s just a part of the change in management and the change in the culture, giving people a mandate, showing them it’s okay.

Then there is the horse; people seem to like the little horse. The reason why we put little horses in all

our meeting rooms is that a lot of meetings are not very efficient because people keep going on about a certain subject way beyond what is necessary. So basically, you can slide the horse across the table at somebody and say, “Hey, stop beating the dead horse.” That is the analogy. That is the symbol.

So again, it’s silly but if somebody is going on and on about a subject, even looking at the horse is already enough to shut them up and say, “Okay. Guys let’s move on.”

This is terrific because you’re showing new unique practices. It sounds like talent is at the heart of everything you do.

It’s our #1 asset. One of the things we had to do is improve our employer grant to hire better talent. That was a very important first step because when your organization is going through a rough phase where people start worrying about if they are going to receive a bonus etc., you don’t necessarily hire the people that you need. So, we worked a lot on that.

One of the things we found that was critical was proper on-boarding. So, we developed a program called “World of Heineken” where every single individual hired by Heineken USA, whether you’re working in the reception or management, region or zone, you collectively participate in this program with a di-

“You can slide the horse across the table at somebody and say, ‘Hey, stop beating the dead horse.’”

- Dolf van den Brink

“We needed to become a pirate again in the beer industry. We needed to become a challenger rather than a complaisant leader.”

- Dolf van den Brink

verse group of other people joining the company at the same time.

Firstly, I'm spending a lot of time with the talent in our organization, because it's absolutely critical. Having said that, there's a lot of other people in our organization that you can still help do things they can't imagine they are able to do themselves. So I felt we needed to focus on the talent but needed to focus on everybody in your organization. That's why our "whole climate survey", our employee engagement study, has played such a critical role and we do it every year.

A lot of organizations conduct similar surveys but then they just look at the numbers. We made it a bonus and most importantly, we discuss the survey results with their team and form climate action plans.

We feel that this kind of very rigorous process, discussing the results with our teams, making an action plan, executing that plan and being held accountable against it, has been a huge driver in the upswing in our climate's results over the last three-to-four years. We have really realized increases in the 40%, 50%, and 60% range.

Really?

Yes. Again, this rigorous process really helped us do it, and enabled our leaders to have the right dialogue with their people. For the management team and the leadership team to have a zone director with the same kind of rigor and the same intent in his discussions with his respective team, that is the challenge.

So you are building accountability, excitement and fun into the whole culture here.

Absolutely. We are about beer so it's about enjoyment. Ultimately, we're selling enjoyment in a bottle.

Enjoyment in a bottle, I like that.

The next step after rebuilding the leadership and getting clarity on our path forward was embedding a challenge in culture. What we did is we invited the whole company to a company party and we invited everybody to dress up as a pirate without telling them why.

Of course a lot of people worried about it and I worried about it. I remember the morning we had that meeting, I was dressing up in my pirate costume thinking, "When that elevator opens if I'm the only guy dressed up, I'm really going to look silly." But the whole company dressed up as pirates and we used that as a symbol. We needed to become a pirate again in the beer industry. We needed to become a challenger rather than a complacent leader. And that has triggered a lot of innovation and new things in the company.

Where did you come up with the pirate idea?

The whole pirate thing goes back to Steve Jobs in the early '80s using the Skull and Bones banner when he was constructing his first Apple computer. We found it to be a very good analogy of what needed to happen in our company where we had to move from that rather complaisant leader towards being a true challenger.

Ever since, we have used these kinds of symbols. It's not about dressing up but it's in a fun way making your point about how we need to become a challenger company. And with that we launched four new cultural values; "Be brave", "Decide and do", "Hunt as a pack", and "Take it personally." These are our challenger quotes. These are our cultural mantras.

Those are great because they're so authentic and so different than anything I hear elsewhere.

Yes. One of the things we are all trying to do is make them vigorous, be brave, decide and do, because you often have cultural values like integrity and respect.

“We launched four new cultural values; ‘Be brave’, ‘Decide and do’, ‘Hunt as a pack’, and ‘Take it personally’. Those are our challenger quotes.”

- Dolf van den Brink

We felt we need to be action-oriented so everyone is vigorous. Be brave. Brave is maybe the most important one.

We are a marketing organization. We build brands. That’s what we do for a living and I felt we needed to have a brave team and bring bravery back into our organization. It’s no coincidence that since we started making this shift, our innovation rate, new brands, new solutions, and new marketing campaigns have been popping up.

It sounds like you’re having a whole lot of fun with this.

We are.

As CEO, what’s most important on your dashboard?

Good question. It’s the leadership in your organization; are they walking the talk? Is the culture really being embedded all the way into the organization? And then there’s also keeping an eye on performance. Around the rituals of performance management, one of the most important meetings that we have is our monthly performance review. Actually, in the last six to twelve months, we have spent a lot of time redesigning our performance system because we felt we

could do better in it.

Let’s now talk about your portfolio and the products you have. As a marketing organization, what’s coming next?

Our number one priority as it always has been and always will be, is brand Heineken, this big famous legacy brand, the biggest upscale brand in the world.

A couple of years ago, the brand was slowing down. We don’t accept that and have been trying to reignite a whole new 25 years of growth for brand Heineken. One of things we have done is we have launched a new marketing campaign that we call “The Legends” campaign. You may have seen them on television. They are almost like very complex mini movies.

Absolutely. I watched it yesterday. I love them.

Me, too, by the way. One of the funny things is that a lot of the commercials in the US in beer are 15 seconds and only go so far. We went the opposite way. We are creating highly-textured, multilayered, and very complex commercials.

Which is very expensive to do.



“If you really understand your consumers and you have people with a true passion for your brands, then a lot of magic can happen.”

- Dolf van den Brink

Very expensive. But our insight is that the millennium consumer doesn't want to be spoon-fed. They are actually saying I'm having enough of this kind of easy-to-get commercials. I want to see a commercial 10 times and still discover something new. We found that this new commercial, a new campaign for Heineken, is working very well.

Additionally, for the first time in 75 years, we're upgrading the bottle in the U.S. to the bottle that we are using globally. We're moving away from the stubby bottle to a more progressive, modern, expression of what the brand stands for.

Also, Dos Equis is on fire. The big growth engine in our portfolio, "the most interesting man" is probably the most fun advertising I've ever worked on, and it keeps getting better. We are also launching new brands. Strongbow is the latest addition to our portfolio.

I'm a big personal fan of the Heineken Light mini kegs. It really tastes like Heineken and you can pour just as much as you want.

It's the same thing with me. I have a beer-tender, the draught dispenser together with the draught keg at home. I often drink Heineken Light which is a fantas-

tic luxury light. Indeed, it has been designed to mirror and get as close as possible to the Heineken Lager taste. But thanks for your consumption there, Robert.

Is there any advice you could give to CEOs listening in on how to effectively market a product?

It's a cliché but still the right answer: It is to truly understand your consumers. One of the biggest increases in our budget at Heineken USA has been our research - not consumer research, but shopper and knowledge research. If you really understand your consumers and you have people with a true passion for your brands, then a lot of magic can happen.

Final question: What is the future of Heineken?

The future of Heineken is building on the legacy of the past. We have an amazing collection of brands which have rich histories, and the key will be building upon them, surprising our consumers, and bringing the magic of our brands to life going forward.

Dolf, it was great having you on the CEO Show.

Thanks, Robert.



**Dolf van den Brink and Robert Reiss
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