

SATURDAY INTERVIEW

# Diversity Is Even More Important in Hard Times

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By [WILLIAM J. HOLSTEIN](#)

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**MANY** major companies made strides in building globally diverse boards and senior managements when the economy was growing. But will those efforts take a backseat in a recession? Eric J. Foss, chairman and chief executive of the [Pepsi Bottling Group](#), argues that building diversity in a tough economy is even more important. His company has created one of the most diverse boards, in terms of gender and ethnicity, of any company in the Fortune 500.

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Eric J. Foss

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The board of Pepsi Bottling, which is based in Somers, N.Y., and is separate from PepsiCo, has four women, one of them Hispanic; one African-American man; and one Mexican man among its 10 members. The company's customers are distributors and retailers that ultimately sell to consumers. Here are excerpts from a conversation with Mr. Foss:

**Q.** *In a recession, shouldn't companies concentrate on profitability, not diversity?*

**A.** If you look at the current business environment, there's no doubt there's a huge amount of volatility and unpredictability. We try to control what we can control. First, we concentrate on value, revenue and margin. We want to be a great seller and service provider at the point of sale. Secondly, we're focused on cost, capital and working capital management. But thirdly, we need to stay focused on and committed to culture and talent development. We need to stay focused on improving our diversity. It's one of our top three priorities, even in the current business environment.

**Q.** *Do you think your own diversity can actually help expand sales?*

**A.** Part of the strategic rationale for this is that our employee base needs to be reflective of our customer base. As our customers continue to become more diverse, it's important that organizationally we look like them.

**Q.** *So diversity is part and parcel of your core business strategy, not a luxury or some sort?*

**A.** It's not a fad. It's not an idea of the month. It's central and it's linked very directly to the business strategy. That is the case in great times and in more challenging times.

**Q.** *Did you personally create this board or did you inherit it?*

**A.** It really started almost 10 years ago when we did our initial public offering and put the board together. We had two females. But we've had a very conscious strategy to increase our board diversity. Our starting point was that homogenous boards have a lot more difficulty dealing with the broad range of marketplace challenges that you deal with globally today. In the United States, the multicultural consumer today is over a third of the population, and 80 percent of the population growth. So making sure we have a diverse board and a diverse work force helps us understand the needs of the marketplace.

**Q.** *Is there a connection between having a diverse board and being able to attract and retain a diverse work force?*

**A.** Absolutely. Our approach to diversity is a fully integrated program. It starts with our business strategy. It connects to our annual operating plan. It runs top to bottom. It runs boardroom to backroom, as we like to say. It plays across all levels of the organization.

**Q.** *Is there direct contact between board members and different populations within your work force, like a mentoring program?*

**A.** We try during our people-planning sessions each year with our board to talk to them about the talent we have in the organization. We try to expose our future leaders to the board. We do that on a fairly consistent basis both as part of the people-planning process and visits into the marketplace.

**Q.** *How do you integrate diverse members into a board culture, what you call “onboarding?”*

**A.** Any time we recruit a new board member, we try to give them a real-life experience. We like to get them out into a manufacturing facility. We like to get them introduced to our people and expose them to our culture, take them through each of the functional disciplines and have meet-and-greets with the teams. To have an effective board member to come into a company with a fresh set of eyes, the quicker you can onboard them, the quicker you’re going to have a productive board member. It’s an orientation.

**Q.** *Does a diverse board help you as a white male make better decisions?*

**A.** I don’t know if it has anything to do with being a white male, but having somebody like Sue Kronick, the vice chairman of [Macy’s](#), who has insights into the consumer, adds tremendous value as we sort through how we’re trying to grow or maybe do something unique on the packaging front given her experience in cosmetics. Packaging is extremely important in the cosmetics industry and she pushed us to think differently about packaging. Creative packaging can be a point of difference versus the competition.

**Q.** *Does a diverse board have more conflicts than a more homogenous board might?*

**A.** Great boards have to get comfortable with debate itself. The management team has to get comfortable with valuing different points of view. If you do that, while it’s not always easy, and it’s not always pretty, ultimately the outcomes you get for your business are much better.

**Q.** *In this climate, wouldn’t it be better to have a smoothly functioning homogenous board than a challenging diverse one?*

**A.** I would say it’s difficult, if not impossible, for homogenous boards to challenge and offer different perspectives, unique experiences and the broad-based wisdom that makes the board, and therefore the company, as effective as they can be. I’m a big believer that diversity allows our company to create more shareholder value, whether in challenging times or not.

[eric.vicioso@nmsdc.org](mailto:eric.vicioso@nmsdc.org), [obenn@camsc.ca](mailto:obenn@camsc.ca), [emerson.monica@comcast.net](mailto:emerson.monica@comcast.net),  
[jackietaylor352@aol.com](mailto:jackietaylor352@aol.com), [pah6@chrysler.com](mailto:pah6@chrysler.com), [lgreen@mmbdc.com](mailto:lgreen@mmbdc.com),  
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