

Irene Rosenfeld
“The Leadership Benefits of Board Service”
Women Who Lead Luncheon
Toronto, 9.22.08

Thank you Christina. I'm honored to see so many of you here today.

It's great to be back in Canada. Spent a wonderful couple of days here culminating in a 40K bike ride with some friends yesterday from Forest Hill to the Leslie Street spit. I need to go back to the US to rest up!

Hard to believe I left here over 8 years ago. Had some of my happiest times personally and professionally here.

When Helen Kearns called and asked me to speak today I told her I would do everything I could to make it happen -- in fact I actually hosted a worldwide Kraft Foods webcast in Toronto on Thursday so I could be in the neighborhood this afternoon!!

- It's wonderful to see so many familiar faces in the audience, some of whom I haven't seen in a very long time
- Helen's daughter Emily who was my daughter Allison's best friend when we lived here
- Some of the Branksome Hall folks, including Karen Merton and Karrie Weinstock
- And I'm happy to see so many of my colleagues from Kraft Canada including Dino Bianco our president and his executive team. (I've spent the past 2 days with them and so I think they came here just to be sure that I will actually leave today

The 4 years I spent leading Kraft Canada were some of the most rewarding of my career and really represented a professional turning point for me:

In 1996, when I became the first female head of Kraft Canada – all my direct reports were men who were quite seasoned in their jobs.

They had very little experience working with women and had certainly never had occasion to work for a woman

And, frankly, if that wasn't enough of a shock, the team wasn't wild about Americans either.

But in spite of – or maybe because of – those challenges, I grew a great deal.

- I learned the importance of listening
- I saw the power of empowering people to make decisions for themselves
- I realized that honest, candid communication is critical to moving a business forward.

But, most importantly, my time in Canada taught me about the difference between managing and leading.

And that brings me to my topic today – The benefits of board service in leadership development.

In my position, I'm often asked to talk about leadership. In fact, about a year ago, I had the opportunity to be the keynote speaker at the Kraft Canada Women's Community Group conference.

And, just a couple weeks ago, I spoke to the top performers at Wal-Mart's about it.

Every time I talk about leadership, I'm reminded that no matter where you are in your career, you can always get better. Developing leadership skills is truly a lifelong process.

Even as CEO of a major company, I'm continually learning and growing. And not just on the job. The whole world is my teacher because leadership lessons can come from anywhere.

Take parenting, for example:

I learned very early on that "because I said so" was not very motivating to my 2 daughters. Quite frankly, parenting is the ultimate leadership development course. I've learned more about leadership, alignment, motivation and negotiation from my kids than from anyone else.

Even today, I rarely use the power of my position to get what I want. Although setting strategic direction is an important part of a leader's job, figuring out what to do is usually not that difficult. Getting it done through others, though, is the real leadership challenge. And so I spend a great deal of my time trying to engage the hearts and minds of our 100,000 employees around the world.

I know that you all are a very accomplished group.

Clearly, your skills and experiences have served you well professionally, but they can also provide keys that can open doors to a wealth of new opportunities for learning and growing as leaders.

I'm talking, of course, about the benefits of serving on a board of directors.

I really believe that the work of organizations like Women in the Lead is important, because when the fit between a board member and an organization is right, it's a powerful win-win.

You grow as a leader, and the organization grows from your contributions.

This is true whether you serve on a not-for-profit board...exploring a creative passion, working on an issue that has touched you deeply...or whether you serve on a company board, bringing your skills to bear in solving business problems.

Even though you're fortunate to have the resources of Women in the Lead available to you, I want to add my two cents about some things to consider as you evaluate whether board service is right for you and, if so, which board you might want to join.

When I'm finished, I'll be happy to take your questions.

So let me start with the premise that serving on a board is one of the best ways to sharpen your leadership skills.

Specifically, there are at least 5 benefits of board service. These include:

1. Inspiration
2. Insight
3. Networking
4. Practice
5. and finally, an opportunity to give back

I'll talk a little bit about each of these by sharing some stories. Some of them are about my own experiences as a board member. Others are about the many ways Kraft's Board of Directors helps me.

1. Inspiration

The first benefit of serving on a board is that it can be inspiring and educational to observe other leaders in action.

While I believe everyone needs to develop his or her own leadership style, the experience of watching others lead can be a great impetus to challenge yourself to try something new... or to stretch in a direction you might not have considered before.

This has certainly been the case with my tenure on the board of my alma mater, Cornell University.

Cornell's board is populated with some amazing people . . . global business titans such as Ratan Tata, the chairman of Tata Group in India who is in the process of building the world's cheapest car – the nano, Narayana Murthy, who's the head of Infosys, Ken Blanchard who wrote the One Minute Manager, Abby Joseph Cohen, the chief investment strategist for Goldman Sachs and Sandy Weill, the chairman emeritus of Citigroup.

Just listening to these leaders bring their experiences to bear and express their points of view is incredibly inspiring.

But exposure to the CEO's or Presidents of impressive organizations is equally instructive.

I remember the first day that David Skorton, then, the new president of Cornell introduced himself to the board. Those of us who were not on the search committee did not know him. His ability, in a 20 minute talk, to help us get to know him, understand his agenda and gain our respect, was impressive and exceptionally helpful to me as I prepared my opening remarks to the Kraft organization when I returned 2 years ago.

I felt the same way about some of my fellow board members at AutoNation, which is America's largest automobile retailer – a board I joined when I was President of Kraft Canada. It turns out that Michael DeGroote, a well-known Canadian businessman and founder of the Waste Management company that bears his name sat on their board. Mike, through his contacts in the Canadian business community, had heard about what I was doing at Kraft Canada and recommended me to Wayne Huizenga who was then chairman of the board of AutoNation.

Before founding AutoNation by stringing together a set of disparate auto dealerships across the US, Wayne had founded Blockbuster video, and also owned the Miami Dolphins football team. Wayne is one of the wealthiest men in America, a larger-than-life figure, a real entrepreneurial leader, and it was incredible to watch him in action.

Wayne was exceptionally decisive, a clear communicator and was able to maintain the entrepreneurial spirit of 400 car dealerships even when they grew to be part of a \$20billion enterprise.

I learned a great deal from Wayne. His down-to-earth, no-nonsense, unassuming style have been a terrific role model for my own leadership style.

2. Insight

A second way board service is beneficial is that it provides a forum for leaders to learn from one other, to exchange new ideas and gain insights.

I'm sure many of you know, that last year, Kraft was spun off from Altria, our tobacco parent company and is now fully independent. As such, we've had a unique opportunity to redefine ourselves.

Part of that process involved changing the composition of our Board. Since the spin-off, we've changed more than half of our Board members and I'm now the only Kraft employee on the board. What this means is that we have a tremendous diversity of talent and experience to draw upon.

The insights this group brings to the table have been enormously helpful to me in so many ways.

For example, when we were considering the acquisition of Danone's global biscuit business last year, I benefited from the advice of Jan Bennink ... a Kraft board member who had worked at Danone earlier in his career.

When it came time to finance the transaction, I was able to draw on the financial expertise of board members like Jack Pope who's the former CFO of United Airlines, or of Fred Reynolds who is currently the CFO of CBS.

The acquisition of Danone's biscuits has turned out to be a terrific deal for us. It not only made us the clear global biscuits leader, but the integration is on track, we're performing ahead of our expectations and, as promised, the deal will be accretive to our 2008 earnings.

Another example of where I tapped into the knowledge and experience of our Board was around our Organizing for Growth initiative.

When I came back to Kraft, two of the things I heard loud and clear were that our organizational structure was too complex...we were very highly matrixed . . .everyone was involved . . . but no one was responsible...

...and that too many decisions were being made in our headquarters in Chicago ...the pendulum had swung way too far toward global functions and our businesses were suffering in the marketplace as a result.

As we considered our options for a new business model, I was fortunate to be able to draw upon the expertise of board members who'd spent their careers in other top tier consumer product companies ...for example...Mark Ketchum, a 31 year veteran of Procter & Gamble, Ajay Banga, who'd spent many years at Nestle or Lois Juliber, the former vice-chair of Colgate.

Their insights into the optimal balance between centralization and decentralization...the watchouts to consider as we made the move, as well as the ideal roles for the corporate center versus the operating units...were critical in our ultimate decision to empower our local managers and shift P&L responsibility back to the businesses.

These insights have paid off handsomely for Kraft.

Our business leaders are now reacting faster to changes in their marketplaces. Our new decentralized structure is helping us to effectively deal with a challenging environment of escalating costs, while protecting the investments we need to make for the long-term health of our company. All of which has been key to our improved financial performance in 2008.

3. Networking

A third benefit of board service is networking.

As Kraft Board member Myra Hart said recently in a meeting with some of our senior women, “The one thing you should always expect to bring to board service is your rolodex”. Yes, it’s that important. And it has certainly helped me in my role as CEO.

Like most large companies, we use recruiting firms to identify potential candidates when we have significant positions to fill. But, the best leads still come from the people who know our company and our industry best, including our Board members.

For example, we have a significant position open in the EU right now, and our board has already sent a number of promising candidates our way.

In addition to identifying great talent, a board can also provide real insight into the candidates a head hunter recommends. This is critical because...as we’ve all experienced...the reality of an interview process is that you only get a limited amount of time with a person...and, of course, they’re always on their best behavior! So, it’s helpful to round out your own impressions with the experiences of others.

Because our Board is so well- connected, they can often provide the kind of behind-the-resume background that helps us really understand a candidate’s character and suitability for the job.

Ensuring we have a world class team of leaders and an outstanding talent pipeline is one of the most important things I do as CEO, and so this ability to network effectively is critical.

4. Practice

A fourth benefit of serving on a board is the opportunity to actually practice your leadership skills in another environment.

Let me tell you how this helped me in the past year.

The name Eddie Lampert may be familiar to you. He’s a corporate activist and hedge fund manager . . . and he’s currently the chairman of the U.S. retailer Sears, which he took over in 2005.

Two of Eddie’s earlier acquisitions were AutoNation and AutoZone. I was on the AutoNation board at the time he bought 30% of the company.

Little did I know at the time that the experience of working with Eddie would be helpful in dealing myself with other activist investors – a situation I faced shortly after I became Chairman and CEO of a fully independent Kraft.

As you may know, after we were spun off, we had some activist investors who were very interested in our stock. Investors who had already derailed the plans of many CEOs in my industry.

In that situation, my experience with Eddie and conversations with Mike Jackson the CEO of AutoNation enabled me to better understand what these types of investors want, what their “MO” looks like, and...importantly...how to defend my company in the face of their actions.

Another valuable skill that I need as a CEO and that any good leader needs is the ability to build consensus among disparate groups and individuals. I've certainly had plenty of opportunity to practice that skill as Chairman of the board of Kraft but I had great preparation during my time here in Canada when I served as chair of our consumer products industry association --the Food and Consumer Products manufacturers of Canada, now FCPC.

Even though I had no direct authority over the board members. . .my peer company presidents I had to get the leaders of those businesses working together on issues of common interest – issues like genetically modified food ingredients, fat free labeling and the like.

In addition to shuttle diplomacy, in that role, I learned how to run a board meeting, prepare a board briefing book and interact with government officials. The opportunity to do this on a smaller stage in Canada was terrific preparation for me to take on a similar role with the Grocery Manufacturers of America when I returned to the US, and, as I did a few weeks ago, to lobby US government officials like Hank Paulsen, Secretary of the Treasury or Ben Bernanke Chairman of the Federal Reserve board, on issues like the biofuel policy. (Of course, now they have even more pressing problems to deal with!)

5. Giving back

The final benefit of board service that I want to share with you today is about giving back. Having an opportunity to share your skills and experiences with organizations that are meaningful to you . . . really feels great.

In my case, as a 3 time Cornellian, serving on the board of trustees of my alma mater has been a wonderful way for me to give back to an organization that I love and that has played a significant role in my success. It was been fascinating to see the institution from the inside and, as a proud parent of a member of the class of 2008, it has been equally instructive to learn more about what is really going on there!

Speaking of education, I know we have some students from Branksone Hall in the audience today.

I'm sure that many of you have been sitting here thinking "Board service sounds great for women who are working, Irene, but for goodness sake . . . I'm still in high school!"

But I want you to know that there are plenty of ways for you to start building your leadership skills right now.

I'm still very proud of my first leadership position as treasurer of my Brownie Patrol when I was 8 years old.

In elementary school, I also served as Captain of our Safety Patrol, and, in high school, was President of the Student Council and played on a dozen varsity sports teams.

Those experiences taught me valuable lessons about leadership, responsibility, working with others, public speaking and honing my competitive instincts.

Sometimes, you might think, "why bother" with some of these experiences but I'm here to tell you that you can never tell when they're going to come in handy.

When I first began working at an advertising agency out of college, I had the opportunity to present a new business pitch to the AAA (American Automobile Association). I opened my remarks by telling them that this was the only group with whom I could share the fact that I was the captain of my safety patrol! They ate it up and, not surprisingly, awarded us the business.

These early experiences gave me the confidence to take on progressively bigger challenges in my life, and I truly wouldn't be the leader I am today without them.

So I encourage you to seek out those opportunities to lead at school or in your community. The lessons you learn will serve you well throughout your lives.

To the adults in the audience, I hope I've convinced you that there are many benefits to serving on Boards.

Perhaps you are even thinking right now about what you should do to make it happen for you... That's great!

As you consider the many options for service that are out there, I encourage you to avail yourself of the tremendous resources of "Women in the Lead" as a first step in your decision making process.

And then, I'd suggest you consider these four things:

1. What's your objective?

What's your objective in joining a board , why are you really doing this. What do you hope to get out of the experience? What are your priorities? Do you want to explore a passion? Are you looking for exposure? Are you looking to network? Is the industry or subject matter of particular interest to you?

Your answer to these questions will help to guide you toward the right board for you and ensure that your board service is something you enjoy rather than being a burden.

2. Check out the other members

The second thing to know is that when you join a board, you join a community. So make sure you do your homework about the other members.

Are these people you'll enjoy working with and socializing with? What skills are they bringing to the table, are these interesting to you, and can they be of value to you? What are the networking opportunities? Are these people you think you can learn from?

3. Assess your potential impact

There are lots of different kinds of boards, so this isn't always easy to figure out. On the one hand, many prominent boards have marquee names that attract high profile members. These may be of interest to you, but you could end up being a small fish in a very big pond...serving mainly as a rubber stamp.

More recently, many companies have caught the diversity bug and are looking for women because they have to, rather than because they want to. (I could reference one US presidential candidate's choice of running mate which makes a similar point , but I won't get into politics!)

On the other hand, large boards frequently divide their members into smaller committees...where the real work gets done . . . especially in today's governance environment where there's a lot of work involved.

That's the case at Cornell, where there are 64 of us. You might think that qualifies as one of the kinds of boards I described a moment ago, but we each serve on a small number of committees and that's where we can make our contributions.

A small board is a different thing altogether.

Serving on one can be a great opportunity to have some clear responsibility and really make your mark. But when there are fewer board members, each person has to shoulder a larger share of committee roles. So be sure you go into those with your eyes open!

4. Liability/governance

The last thing I urge you do is to be certain you understand your fiduciary responsibilities and legal liabilities.

It used to be that you could collect board assignments like you collected business cards.

Those days are over.

While I would never dissuade anyone from considering board service, in today's governance environment, joining a board is a serious matter:

You're putting your reputation on the line, and to some extent, your assets.

So do your homework about the financial health of the organization and, as best you can, about the integrity of its leadership and that of the other board members as well.

All that said...my ultimate advice to you is...just do it! In our rapidly shrinking and interconnected world, it's not enough to just know your own company or organization. You also need a broad perspective as to how other industries and other organizations work.

Seeing another organization through the lens of a board member can give you that perspective.

Assuming you've picked well, you will benefit tremendously from your involvement and so will the organization.

Let me wrap up by saying, it's been my pleasure speaking with you today.

I wish you all productive and fulfilling board experiences.

And now I'll be happy to take your questions.