meet the ceo
April 2004
Terry Davis
in conversation with
Helen Trinca

Transcript

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Professor WHITTRED: Ladies and gentlemen, good evening and welcome. My name is Greg Whittred and I'm Dean of the Faculty of Commerce and Economics. Welcome to the University of New South Wales, most particularly welcome back to the Faculty of Commerce and Economics.

My role tonight is really just to welcome a few special guests and to say a little about Meet The CEO. So, first, let me welcome in particular our special guests this evening: Terry Davis, CEO of Coca-Cola Amatil, and Helen Trinca, editor of the 'Financial Review's 'Boss' Magazine and our interviewer and moderator this evening.

I'd like also to welcome amongst the audience those of our alumni leaders and distinguished alumni who have taken the time to join us tonight, and our new executive in residence, inaugural executive in residence, Steve Crane of ABN Amro; to our principal sponsor for the Meet The CEO series in 2004, Deloitte, and their CEO Giam Swiegers; to our media partner, 'Boss', and of course Helen Trinca; and, finally, to Lion Nathan for supplying the refreshments we have all enjoyed.

Last, and certainly not least, I'd like to welcome members of our faculty advisory board. The board members here tonight include Peter Bergman, Michael Crouch, Mark Decure, Peter Maddock, Vicky McFadden and board chair Warwick Negus, and of course Terry Davis.

The Meet The CEO series aims to give our students and alumni access to contemporary thinking in business by its leading practitioners, to the men and women whose innovation, entrepreneurship and leadership have fundamentally altered the way business gets done. The program runs four times a year, with a senior executive coming to the university to speak to an invited audience, largely of alumni.

Meet The CEO is a key event in our calendar and a critical plank in the board's strategy for building and strengthening our already excellent relations with the business world. This is the second event in our Meet The CEO calendar. We made our first major attempt to reach out to our alumni with the launch of the series in December last year with Richard Branson. The alumni response to that event was overwhelming, and I am delighted to say that it remains just as strong
this evening. I've asked Terry what he makes of that and
how he should compare himself to Richard Branson, but he
has modestly declined to comment.

It's my pleasure now to introduce Warwick Negus,
chair of our advisory board and principal of 452 Capital,
to introduce Terry.

(Applause)

MR NEGUS: Good evening, everyone, and thank you, Greg.
It's a real pleasure tonight to introduce to you
Terry Davis, chief executive of Coca-Cola Amatil. It's
a real pleasure because I think he has some very
interesting things to say and share with us some of his
experiences as a chief executive during his working
career.

Terry is the second speaker, as Greg said, in our
Meet The CEO series and the person largely responsible for
securing what I think is an amazing line-up of Australian
chief executives over the balance of 2004. More about
that later.

Let me share with you a few brief points about
Terry's career. He's been at the helm of Coca-Cola Amatil
since November 2001. Since that time, the company has
delivered a total return to shareholders of in excess of
41 per cent, handsomely out-performing both the local
sharemarket and his peer group. Not a lot of companies
can actually say that.

He has demonstrated already in his role
the capabilities of a CEO. He is strategic and tactical -
strategic in that he has set some very clear financial
goals for the company and he has communicated those
clearly to all the constituencies, and most importantly to
the shareholders. More importantly, he has delivered on
those goals and continues to deliver. Not a lot of
companies can say that either.

He is tactical in that he has been behind the launch
of a range of new products for CCA and, importantly, their
expansion into the non-carbonated beverage sector through
a series of acquisitions in Australia and New Zealand.
Prior to his time at Coca-Cola Amatil, Terry spent
the best part of 14 years in the wine industry, his final
role being the managing director of Beringer-Blass, which at the time was generating more profits than any other wine company in the world.

Outside of this, as Greg mentioned, Terry is also an extremely important member of our faculty advisory board - your faculty advisory board. His contribution so far has been invaluable, and the part he plays in developing the Meet The CEO series is having a material difference in bringing the business community and the Faculty of Commerce and its students closer together. He is already the envy of corporate Australia and it is my pleasure to welcome him here tonight. Ladies and gentlemen, please make welcome Terry Davis.  

(Applause)

MS TRINCA: Now, Terry Davis, you're the head of a company that has the most incredible recognition factor probably in the world and an incredible brand power. In fact, I go back 70 years to 1932 to a quote from a journalist, which is still a good one 70 years on: "By what magic does Coca-Cola make its universal appeal? This surely must be something, for the demand grows and grows". So, Terry, what is that magic?

MR DAVIS: Well, the fact is that the word "Coke" is the second most recognised English word in the world, outside of "okay", which is just extraordinary to me. Whether "okay" and "Coke" go together, I'm not sure. Maybe it's because originally it was sold as a brain tonic, and I'm sure there are a number of people that work for us who continue to believe that.

But it's a machine. There is no doubt that the Coke system in terms of the way it's developed not just its American business but then really saw the opportunity of bringing carbonated beverages to the rest of the world, and now it's ubiquitous, and I think that's got a lot to do with it; it doesn't matter where you go, Coke tastes the same. The formula for classic Coke is the same in Australia as it is in America, as it is in England, as it is in India. So I think that's got a hell of a lot to do with it.

MS TRINCA: And have you got a favourite jingle from one of those ads over all of those years?
MR DAVIS: It's interesting. We actually had our AGM last week and we played some of the old ads. Coca-Cola Amatil have been involved with Coke for 40 years, and the company is 100 years old, and I can't get past the beach ads, the beach balls or the guys coming out of the aircraft with the escape boards.

MS TRINCA: You can't sing it for us, though?

MR DAVIS: No, I can't, but "Coke is the real thing", you know.

MS TRINCA: So you're the custodian of a terrific brand, but has that been a straitjacket at times? How much are you, as another journalist once said, somewhat of a slave to Atlanta, where headquarters for Coke obviously are?

MR DAVIS: Amatil is a publicly listed vehicle. If you could imagine, Coke is basically a large franchise system where various companies have franchise rights to produce, to distribute Coke around the world. We operate in six countries and have access to nearly 300 million consumers.

Now, that position with Coke has a lot of responsibilities for it in terms of how you develop your product, and I think that if you went back 10 to 15 years ago, the Coke company would have seen themselves as "the Coke company"; "we sell Coke, and that's it". But that's changed dramatically, particularly as they've launched into a lot of the south-east Asian markets where people haven't grown up with carbonated soft drinks as part of their culture and ready-to-drink teas. Water has been much bigger and juices have been much bigger.

So I think if you'd gone back 10 or 15 years ago, you would have said, "Yeah, real problems with what the business should look like". In Australia it's interesting: Coke's last product launch before I started had been in 1983, with Diet Coke. That was the last time that we'd actually done a product extension, and now we've done three in two years, so I think there is a willingness to accept that people want to drink different beverages at different times of the day. Our job is to make sure that we've got a beverage for each of those occasions, rather than say, "Hey, you must have this" or "You must have that".
MS TRINCA: So it hasn't been a particular problem in terms of expanding and broadening the base of Coca-Cola Amatil in the region? It hasn't been a problem?

MR DAVIS: No, in fact far from it. We set out - when I joined, you could see that non-carbonated drinks were growing at a much faster rate, predominantly in the bottled water area. The opportunity to take that growth and actually grow the per capita consumption was pretty significant. We've gone from I think five per cent of revenue in the year 2000/2001 to about 17 per cent in the three years, so we're making pretty good progress.

MS TRINCA: Has it actually helped being an outsider because you, of course, unlike a lot of people at the top of Coca-Cola, are not a company man, in the sense you came to it quite late in your career, and that's an unusual thing for Coke, isn't it, because it is such a company that almost preaches a religious-like zeal for the --

MR DAVIS: There are not a lot of senior people that leave Coke, voluntarily anyway. And I'm talking about from the system. There's a very collegiate view from not just us as a franchisee and Coke company but within the other bottlers around the world, and people, once having been in that system, why would they go and work for a number two? It's very hard when people get used to working for a number one, and the strategies that you develop for being the number one business is quite different to the type of follow-me strategies that you develop as a number two.

I think that a lot of people would really struggle, and that's what I saw as the opportunity: actually taking a brand that was number one, that had not quite lost its way, but certainly had not quite focused on giving the customer what they wanted.

MS TRINCA: We were talking before about the fact that in Atlanta, at headquarters, it used to be the case that you weren't supposed to mention the word "Pepsi", that it was very strict. How did you find going to Atlanta for the first time when you became the CEO here?

MR DAVIS: Well, I was lucky enough - I think two days after I started, I went to Atlanta with David Gonski,
the chairman, so it was a real quick initiation, and it's a different world over there. There's no doubt that Americans have a quite different view of life than Australians. That's not necessarily bad or good, but there is an incredible sense of importance of what the Coke community does, not just for its own businesses but what it does for local communities around the world.

MS TRINCA: But was it strange being outside the culture in that sense?

MR DAVIS: Yes. There is no doubt that Coke in itself is reinventing itself and, as a result, they are also bringing in people from outside. The COO came out of CNN and Steve Heyer has brought a quite different dimension of thinking to the business, much more myth and magic to the business and returning the myth and magic back into Coke.

MS TRINCA: And we hear that Doug Daft's successor may in fact be an outsider?

MR DAVIS: Yes, who knows. We have our own private views. Steve has done a fabulous job and I personally hope he gets the top job because I think he's done an excellent job of reviving an old brand.

MS TRINCA: We hear a great deal about good management practice, but what does that mean to you in your job here? What are the keys to getting people to buy into your vision of what you wanted to do at Coca-Cola Amatil?

MR DAVIS: Well, the first thing that I had to do was to suggest to people that just because you're number one didn't necessarily mean that you're the best at what you did. A lot of companies get to be number one and continue there in spite of themselves rather than having a defined path.

As Warwick said, our returns to shareholders hadn't been all that good. In fact, I think $1,000 invested in the same time frame would have delivered $682 for shareholders, so a negative return, and I wanted people to focus on that, that, ultimately, if you can't provide a return to shareholders, it doesn't matter how grand your strategy sounds; it didn't deliver.
I said about establishing new sets of parameters in terms of how the business was going to conduct itself and how I wanted people to think about their business. It really revolved not around market share; it was about how we were going to improve our levels of service to our customers, what we were going to do in terms of brand innovation, in terms of product innovation, and getting people to acknowledge that just because we're doing it one way doesn't necessarily mean that's the best way. Searching for a better way is something that we started off very early; let's find a better way.

MS TRINCA: How do you motivate people?

MR DAVIS: Well, there's always the carrot and stick. That's always useful. I think in corporate life there is no doubt that you must align the remuneration drivers with shareholder return. I think that's the very first thing. We were a little bit too out of line in that. So I think that - money is still a big motivator for people if it's not right. If it is right, people put it to one side and say, "What are the other things?".

I think you have to provide people with good working conditions. It doesn't matter whether it's at the factory floor, whether it's at the executive level. You need to provide people with conducive areas for them to show that they can make mistakes and still survive, that they can get things right and be recognised, that they are not frightened of having open debate just because the CEO says something. My job in our type of business is just to challenge people and hope that they challenge me back, and I think you get a lot more mutual respect when you can do that.

MS TRINCA: Interesting when you say that's your job because, of course, a lot of people out there in the big wide world sort of wonder sometimes what CEOs do.

MR DAVIS: So do I.

MS TRINCA: So I'm going to ask you: what do you do all day?

MR DAVIS: My secretary says that too, particularly when I'm not there. Every CEO has a different style and every company has a different style, and I think that to some
extent you have to moderate your style to suit an operating culture, to make sure that you're not too far out of whack with where the history and the heritage of the business is. You spend a lot of time on the big picture at certain times of the year, but frankly you also spend a lot of time on the detail these days.

I think with the higher focus by boards, the higher focus by the community on corporate governance, on risk and compliance, you tend to have to spend a little bit more time on the financials than perhaps what you would have spent five years ago. You have to spend a little bit more time making sure that the strategies that you're putting in place can stand up to some rigour.

I tend to take the philosophy of having pretty strong arguing and debate in the planning session and then get your best possible people out in the field to execute, and then just relentlessly execute and then you just keep on relentlessly executing. You know that sooner or later, even with mistakes that you may make, you'll get more things right than you'll get wrong.

MS TRINCA: When you do your thinking, when is your thinking time?

MR DAVIS: Somewhere between 4 and 4.30 in the morning. I wake up about 4 to 4.30 and I think for an hour to an hour and a half before I get up at 6.

MS TRINCA: And then you continue thinking during the day but in a different way?

MR DAVIS: No, I don't know about that, but I do my best.

MS TRINCA: You've obviously got a tremendous board because your chairman David Gonski is here tonight.

MR DAVIS: Yes, I've got to be really careful.

MS TRINCA: You've got a fantastic board. But I wondered whether you could talk a little bit about the relationship between the board and CEO, because should management be driving strategy? Should the board drive strategy? How do you manage that tension?

MR DAVIS: I think that everyone in the organisation in
their own way has a role to play in developing and driving strategy. I think, obviously, as the CEO the buck stops with you, but if you get it really bad, obviously given what we've seen in the paper over the last few weeks, it also stops with the board.

I think in today's world that it's impossible to ask directors, who come together maybe once every six to seven weeks, to have such intimate knowledge of every component of your operation, that it places a lot more importance on the executive team of developing strategy, bouncing that through the board and doing that in such a way that you're not presenting fait accomplis, that you're actually bringing both management and board along the same path at the same time, rather than having things out of sync where one group of people are thinking one way and another group of people are thinking another way.

I think you can avoid an awful lot of angst there. That doesn't mean that you can't have innovation and creativity. It just says that when you set that time aside, you know that you're going to come up with some ideas that are just going to be so off the wall that you put them into the too-hard basket.

MS TRINCA: What about the balance in governance at the moment? Do you think we're in danger of being overregulating in governing?

MR DAVIS: I think that regulators have a potential problem of listening too much to what public sentiment may be or creating their own public sentiment. It will dissuade talented people, particularly the cream of people coming through institutions like this, from actually going into public life, and having spent time both in private industry and public life, there's a lot to be said for the development of venture capital in this country to persuade more people to go into private business for exactly that reason.

MS TRINCA: You've actually had quite an entrepreneurial streak I guess in your career, and would you talk a little bit about Cellar Masters, where you were for 14 years or so, before they became part of Fosters and just what was the excitement of that, building that business.

MR DAVIS: Well, I didn't start Cellar Masters. A guy
called David Thomas started it, and David was a great thinker, a really good thinker, good intellect. He probably admitted that he couldn't run businesses all that well, and I just saw an opportunity - he had about 20 people working for him at the time - to take the concept that he'd developed of selling wine direct to consumers through direct mail, which at the time was leading - this is well before the internet and the fax machines were only just starting - and I took a risk. I came on board and saw an opportunity to diversify the product base and we turned into becoming a wine producer. Eighty per cent of the product we sold, we either produced or controlled the production of it, and that turned us into the most successful direct marketer of wine in the world, and certainly the most successful direct marketer in Australia.

MS TRINCA: So we know your time at Fosters was great fun and you were touted - it was suggested in 2001 that you would be a successor actually to Ted Kunkel. So two questions: why did you leave then and why did you turn them down this time?

MR DAVIS: Well, David Gonski's power of persuasion, of course, but it was quite a debate at the time. It was probably the hardest decision that I had to make. I've got three sons. Two of them were 11 and 13, so they thought it was wonderful because they could see their elevated status as being able to supply unlimited soft drinks for all their mates. My other son was 17 and he saw his beer and wine for his 18th birthday going down the tube.

But I'd had a really good run in the wine industry. I was lucky enough to be part of the industry when Australian wine exports were just absolutely booming. They've come off a bit, but it's still an incredible success story and we've got to measure this over a long period of time.

To be a CEO of a public company earlier was obviously a key attraction. To stay in Sydney - I think Sydney is the hub of what's happening in business in Australia, whether we like it or not, and I think it's going to continue to grow that way. They are influences.

But I also saw - I'd been a shareholder in Amatil
back in the mid-'80s, so I'd followed the company and
I'd followed it through its good times and its not so good
times, and I just had a sense that with a little bit of
tweaking here and there and a bit more aggressive
management, perhaps we could do something with
this company, and still do.

MS TRINCA: We'll come back to that in a moment. I want
to make sure we talk to you a little bit about the sort of
people that you look for when you appoint people and
a little bit of advice to people here who have started
their careers, really many of them, about what
is important in terms of moving through the ranks.

MR DAVIS: Well, initially, when I look at resumes and
when I talk to people, I try to see what have they done
outside of the normal sphere of activity. Have they been
successful at something in their early life, whether it be
some community activity, whether it be sporting prowess,
whether it be some award for doing something out of the
ordinary? That always gives us a tick. That always says,"Okay, this is somebody that's had a little bit more
dedication to excelling in a certain area", and I still
say to people today, "Be good at most things but make sure
you excel at something, particularly early on in your
career, so that you get recognised early".

It's hard, particularly when you've got various
layers within organisations, to get recognised, and one
of the challenges for a big business is to recognise
its rising stars early so that it can take them through
the training program - through an accelerated training
program. I still don't think that there's any substitute
for hard work and commitment. I don't think there's any
substitute for passion. I look for people that care about
their product. I advise people, "Never work for a company
that you don't like their product or like some component
of it because ultimately you won't come up with the ideas,
so if you associate yourself with that, you've got
a chance".

Passion is a big thing, this perseverance to continue
to hold your ideals and hold your ideas under pressure,
because that's what working life is about, to be able to
come up with ideas. Anybody can run businesses in fair
weather, but it's in the tough times that you're looking
for people that can hang in there, and that's a very
important thing because they come out of that better
people, they come out of it more satisfied that they've
achieved something, and if you can give people a sense of
achievement, then those other areas of financial rewards,
they actually come down the track.

MS TRINCA: Can you, if you look back in your own career,
find certain points in which you have made key decisions
about where to go? I mean, obviously the most recent one
to go to Coca-Cola Amatil would be high on the list.

MR DAVIS: That was way on the list. I think the move
into Cellar Masters - the move to sell Cellar Masters too
because my two other partners were much older than I was.
That was the debate, to say: do I take the money and go
and sit on the beach somewhere and get my billabong shorts
and go surfing, which sometimes has that appeal, even now.
But I think that ultimately those sort of decisions come
to you quite clearly because after you do all the debating
you end up saying, "Well, that's what I'm going to do",
and that's it, and you get on with it.

MS TRINCA: What gets you out of bed in the morning?
What do you really love about business?

MR DAVIS: It's good to win. It's far better to win than
lose. It's also good - businesses are about families.
Ultimately the people you work with, you spend so much
time with them that if you can enrich their lives, if they
can enrich your lives and it's not a one-way street, and
you can go home having completed a fair day's work for a
fair dollar and feel satisfied, no matter what level you
do, if you can get that team work within a business, where
people are happy to debate and argue, and argue the toss,
but at the end of the day have a beer with their
colleagues or still say, "Hey, I respect your opinion",
I think is very important to me.

MS TRINCA: There's a great quote in here from a terrific
book that I guess many people might have read. It's been
around for a few years. It's called "For God, Country and
Coca-Cola", by American Mark Prendergast, which is
basically a history of Coca-Cola. There's a great quote
that, again, I recognise came from the '50s when life was
different, but this is how it goes:

Two things make this business great. One is a
product, Coca-Cola, and the other is men. We have the product but we shall need more and more good men, men of character and intelligence, men who are industrious and hardworking, men of spirit and ambition, men of dedication. I see a bigger future with greater responsibility, and more and more men.

So, Terry --

MR DAVIS: Okay, I'm in trouble here.

MS TRINCA: The question is: how about the women? So what's happening these days in Coca-Cola Amatil for women?

MR DAVIS: I think we - first of all, Coke systems had been a blokie system for a long time. It's changing as the role of the sales force is changing, with technology improvements, with merchandising being done outside of the sales force.

I think we do an enormous amount to try to encourage women to come back after parenting, but it's a real challenge for businesses like us because of that conflict of motherhood and career. It's a very difficult thing to balance. We try to do it with job sharing. I think it works to a limited degree.

The fact is that there aren't enough senior women in management roles in Australia at the very senior level. We've been recruiting for a CFO and found it just about impossible to even get appropriately qualified women on the list. I'm not sure how organisations best respond to that because ultimately our responsibility is to get the best person for the job, and that's one thing I won't compromise, whichever way you go. But, obviously, there are certain areas, particularly within marketing, where I've found women to be of a far higher quality, far higher calibre, and obviously we try where we can to do that, but it's an age-old problem and I'm not sure what the solution is.

MS TRINCA: Now, some of our mothers used to warn us off Coke actually in the '60s but --
MR DAVIS: They also warned you off a few other things as well.

MS TRINCA: They warned us off a lot of things. I think the problem with Coke was that it was far too much connected with rock'n'roll and that sort of stuff.

But, seriously, the question about the issues around health in recent years and the anxiety around obesity, as a social issue, how much does that impact, do you think, on the future of Coke and your own strategy basically to turn it into a broader beverage company?

MR DAVIS: I don't think we set out to change Coke into a broader-based beverage company because of the obesity issue. The fact is that the obesity issue globally is a wide-ranging issue. The reality is if people don't exercise enough, if they don't eat and drink in moderation, they'll get fat. It doesn't matter what happens.

And for us, though, to be able to acknowledge that people will look for different beverage solutions, whether it be alcoholic or non-alcoholic - you work through the same exercise in the alcohol business as well, I think if people can have a wider range of choice, then let them make their own decision about what they want at various times of the day. Obviously dietary product, Diet Coke, the variations that we do with Diet Coke these days - we've just launched Diet Coke with lime in response to that, with people looking for different flavour variations.

I think bottled water has grown and continues to grow as a consequence of that, but if you look at, say, our bottled water consumption in Australia, we're still only a quarter of that of Europe, and only half of that of America, and both those areas have got high levels of carbonated soft drink consumption as well.

MS TRINCA: Good. I think we might actually be in time to ask some questions. We have about half an hour for questions from the floor. There are roving microphones. If people could just put up their hand and then I'll identify someone, and let us know who you are when you ask the question.
Terry, while we're getting that sorted, I might just ask you a very easy quick question, which is: who are your sort of big role models in business? Are there people around who you think have just influenced you greatly?

MR DAVIS: I think you obviously get influenced by the people that you work with early on in your career. I was lucky enough to work with some good people there. I have tended to read a lot about people that have been successful. Whether they become role models or not, whether you'd say that how Rupert Murdoch has developed his life is the way you'd like to develop your life, you may have a different point of view, but you read some of the books and you look at that.

I had a good association with Greg Norman. We set up a joint venture with Greg online and I found him one of the most fascinating guys, somebody of incredible drive to make things work and how he transcended the sporting stage to being probably one of Australia's most successful businessmen.

MS TRINCA: No particular gurus, the American gurus, have influenced you?

MR DAVIS: No, I think if you look at the contemporary people here and the successful companies, then there are very few Australians who have managed to be successful for long periods of time, and maybe it's the business cycle. Roger Corbett has done a fabulous job of Woolworths and you look at Michael Cheney at Wesfarmers, who has done a fabulous job. All these people have been heavily focused on shareholder return. I think those that have kept their egos in check and kept on focussing on that, I look up to those more than anything else.

MS TRINCA: And the sustainability of their careers.

QUESTION: Michael Graze. Terry, you said that when you look at somebody's CV, you look for what they excelled in, something different presumably to what is just on the CV. What was the thing that you excelled in to be recognised yourself?

MR DAVIS: I spent 30 hours a week rowing for many years in cold Tasmania, and it was one of my greatest regrets in life that I didn't make the Australian Olympic team,
and that gave me enough drive, but it also gave me a lot of recognition of what was required and what team work was required, and I suppose the other thing is at the age of about 12 I had the biggest paper run in Hobart, and I didn't do a lot of work but I had lots of kids that did. And I also made lots of money selling ginger beer at school in beer bottles because the kids thought it was cool.

MS TRINCA: And their mothers wouldn't let them drink Coke.

MR DAVIS: And I suspect that came out of desperation rather than anything else.

QUESTION: Hi, Terry. I just wanted to first quickly say Coca-Cola has been a long-term sponsor of Accounting Co-op, and as a Co-op student I'd like to say thank you.

MR DAVIS: Thank you.

QUESTION: It's very much appreciated. I also just wanted to ask: Coca-Cola Amatil is a very successful Australian company and, as we are seeing News Corp moving to be listed on the New York Stock Exchange, how much pressure is there internationally to have Coca-Cola Amatil taken over by the global Coca-Cola brand?

MR DAVIS: I'd hope it would be the other way around. I think the Coke company - I don't think there's any risk of that at all. I think that what's happened, though, is the franchise network over the years has consolidated. It doesn't make sense for us to be part of that consolidation over the next 10, 20 years. It probably does.

But David Gonski reminds me often that it's far better to be the acquirer than the acquiree because you tend to dictate process more than anything else, and that's our stated view at the moment, that we'd rather grow our business, provide shareholder return, and I think that if you continue to do that and outperform the index, you become very expensive for somebody else to buy, but what a nice result for shareholders if that is the case.

I don't think companies should be worried about who the ultimate ownership is. So long as they've got a clear
strategy, clear execution, clear requirement to grow, then
where your stated base is, I'm not so sure is so important
these days.

Global fund managers - if you're good enough, they
find you. The reality in Australia is unfortunately we're
a small cap for a global fund manager, and you can
certainly empathise with what some of the larger companies
have to do to get more international recognition, and
I think that's a risk for Australia. No doubt about that.

QUESTION:  Terry, I have a question which has a global
implication in a way. Coke has this worldwide appeal and
name. Among them is copyright, patents, all
the trademarks, all the other things. Some of them must
be quite near expiry date. Can you tell me what your
strategy will be when you do reach the expiry date.
I know the Ivory Coast gives you 99 years, but not every
country does that. Could you just give me some idea
of what happens after that?

MR DAVIS:  I'm not sure, to tell you the truth. I'm not
sure. I think that if you look at - what's the key
differentiator for Coke? It's taste and the contour
bottle. What do people associate Coke with? They
associate it with the unique contour bottle, and that's
patented and I'm not sure when that runs out. Maybe
Mr Gonski could help me with that.

The thing that you still have on your side is passing
off, and I think that Coke is such an iconic brand that
it would protect its rights pretty heavily, and that's
something that we do and are very conscious of when we're
looking at competitors who try to get too close to us.

QUESTION:  Hi. My name's Jennifer. Part of your stated
strategy that has been in the newspaper recently is moving
to acquisitions of fruit juice and bottled water
companies, but given the ACCC's knockback of the Berri
acquisition and the increasing focus on creeping
acquisitions, how big a hurdle do you think the ACCC
clearance will be to your strategy?

MR DAVIS:  That's a good question, and you're never quite
sure what the answer of that is with regulators. All you
can do is judge each acquisition on its merits and see
whether it fits the current thinking of the time. What
I can say is that obviously there's been a lot of changes at the ACCC over the last two years, including the change of the head of the ACCC.

I think it's a little bit of a myth that you reduce competition just because you're bigger. In fact, I think it's proven over time that big companies often are able to deliver higher levels of savings to the consumer. If you listen to Roger Corbett talk at Woolworths, he would be a prime candidate of how much has actually gone back to the consumer. So some of those debates have to be played out.

I think what organisations like us have to be careful of is that we don't overstretch the mark in terms of market power, and that's something that from a board perspective, from a management perspective, we spend a lot of time on to make sure that we are hard competitors. That's what business is about. You're not in business to let your competitors grow, but on the other hand you must make sure that you play on a level field.

For us, whether we grow by acquisition or we grow organically, we've got such a strong capability, whether it be its sales force, whether it be a distribution. We'll achieve our goals one way or the other. It's just a question of whether it takes a little bit longer.

QUESTION: I'm visiting all the way from America and I came here just so that I could have the opportunity to ask you this question.

MR DAVIS: Thank you.

QUESTION: One of the buzz words in business these days is "voice of the customer". Do you believe that's simply a buzz word or there is real meaning and value in it? And what does your company do, what do you do, to bring the voice of the customer into your operations?

MR DAVIS: We've got two customers, if you like: one being the ultimate consumer and one being our retail partner, so I think in the first instance, you listen very closely to what your retail partner has to say about how you're executing the level of innovation.

We have a consumer information line and
the Coke website is one of the most popular websites in Australia, so the insights that we get from the chat rooms, from the feedback from that, is something that our people and I look at on a monthly basis, that says: what are our customers talking to us about? What are the things that are important to them? What are the things generally that we're not delivering, whether it be that they bought a flat bottle of Coke or whether their vending machine didn't work in San Souci? All those things help to make up the fabric of what changes you make in an organisation.

I think the secret for people like us that have such strong consumer brands, I think - in our convenience and leisure channels, we have 19 out of the top 20 beverages, so it's very important that we then take that knowledge and moderate what we do, and a good example of that is we've just launched Fanta with five per cent juice. Why? Because our consumers were saying, "I love the taste of Fanta, but can you give me something that's got juice in it?".

It's funny, I wander around our call centre a lot because I think that's the way I really hear about what customers have to say, and out of all that you condense certain amounts of information and hopefully you can encourage your people to act on it, and we do that pretty successfully.

QUESTION: You mentioned Roger Corbett a couple of times. Do you find that the power of the major retailers in Australia is somewhat restrictive to your growth?

MR DAVIS: No, I don't think so. I think there's no doubt - there would be a few other CEOs of food companies who would have a different point of view, and maybe we're just in a fortunate position, but our people have spent a lot of time making sure that the alignment in strategy of what we're trying to achieve and what the retailer is trying to achieve is close to the mark.

I don't think you can ever get 100 per cent alignment because there will always be the natural tension that you have as a buyer and a supplier. But good companies continue to do well in any market, and the real secret there is to just make sure you've got one of the good ones, and if you're on the second and third or fourth
rung, you either decide to get bigger or you get out.

QUESTION: I guess there's a beauty in simplicity. You talk about what seems to be simple metrics to driving business, so shareholder return. How do you drive that down through your organisation in a way that everyone throughout the organisation understands their contribution, because sometimes as you get down towards the lower levels it's not immediate obviously what your contribution is to shareholder value? How do you do that, a balanced score card or what?

MR DAVIS: I think the first point that you made was the key: keep it simple, give people a few things to focus on rather than set up a score card that's got 100 different metrics on it. Obviously the metrics that we use for our production centre would be somewhat different to what we use for our sales centre, so the key I've always found is to get people to focus on fewer things and do those better, get those to a point of excellence that you can say, "Okay, I can now move off that and then move on to the next stage".

In terms of getting people to understand what shareholder returns mean, you talk about the $1,000 invested five years ago is now worth X. People can remember that. We have an employee share purchase plan, that we encourage all our employees to hold shares in the company, and they pretty well soon tell you whether you're getting it right or wrong because it directly impacts on us. So I think that's the important thing, to again impact on the hip pocket, plus and minus. When things go well - when the shareholders benefit, the employee benefits from his shareholding or her shareholding within the company; making sure that at your senior management level you are doing as many state of the nation addresses as you possibly can.

I spend a lot of time, my head of Australia spends a lot of time, out in the marketplace, talking to people, both at the factory floor, at the sales level, and it doesn't take you long, once you get that sort of attitude within companies, to migrate down to the floor, people taking that little bit of extra effort, but it's a challenge, and not everybody believes the story. There's no doubt that you're not going to get 100 per cent success rate with this. All you can hope for is you get
the majority of people coming your way, and if you can get
that, then you'll probably be as far in front as you can
possibly hope for.

QUESTION: Hi. My name is Andrew Kim. What time do you
go to bed and how many hours of sleep do you get?

MR DAVIS: I nap well. I can sleep for 20 minutes
in a cab from meeting to meeting. It depends whether -
the type of role that you have is that you're often on
the road travelling or going to functions, so on those
non-function nights, on those non-travelling nights, which
aren't as many as you'd like, I'd like to be in bed by 10,
get six hours sleep.

MS TRINCA: Is there any way out of the long hours
culture for CEOs, because a lot of the thinkers are now
saying do you really have to put in those hours?

MR DAVIS: I think you have to be careful about what
the stress levels are within the hours. A lot of it is fun, a lot of it is interesting, so it's not just "Oh,
ggee, another report to read", although there's a hell of
a lot of that too, that if you make your day varied,
if you can make your people's day varied, and they make
your day varied by what they upwardly delegate, then
you've got a chance of - it doesn't really matter how long
you go.

I try very hard not to do more than an 11-hour
straight day, and I discipline myself to say, "7 o'clock
comes, I'm finished", because I want to go home and see
the boys anyway, that's if I'm in Sydney, but obviously
if you're on the road, then it's 7 o'clock to whenever,
and that goes with the territory.

MS TRINCA: It does seem that way.

QUESTION: Terry, Josh Cardwell from Deloitte. Given
the company's diversification away from Coke and your
experience in the alcoholic beverage market, is there any
incentive for your company to move into the alcoholic
beverage market?

MR DAVIS: That's a question that we certainly ask
ourselves and have asked ourselves. I think that when we
started we said we wanted to become a broader-based
beverage business but we didn't necessarily say a
broader-based non-alcoholic beverage business, but one of
the things that I've learnt over time is probably do fewer
things better, and what we've done in our Australian
business, particularly our New Zealand business, is really
have a step-change of what people thought was a mature
business. We had 19 per cent growth in our Australian
business last year.

There comes a time when you won't get those growth
rates, and then you say, "Okay, what's next after that
and is the prize good enough"? In Australia, beer
consumption has been declining for 10 years. Is that
because the marketing hasn't been as good as what it could
have been or is that because there's some demographic
shift that says, "Hey, this is maybe not a market that you
should be actively promoting because it's not going to be
a growth area".

When we continue to get - we see bottled water growth
rates of 10 per cent, so, gee, do I want to go and take
a risk over here with that strategy versus growing my
business that I already have a defined competitive
advantage on? And today we say that our energies are best
spent here. Maybe in five years time or three years time
we'll have a different point of view. I think that's
something that those sort of decisions are ones that
boards and management constantly revisit, so there comes
a time when it makes sense; there comes a time when it
doesn't.

QUESTION: Hi, Terry. The earlier question asked about
the power of retailers, particularly in supermarkets.
How does the business respond to the challenge of
increasing, I guess, bottom line growth without increasing
prices at a retail level?

MR DAVIS: I think in our case what we've done, and again
that's a very good question, is that you've got to make
sure that you've got enough products within your mix that
are a combination of higher volume/lower priced,
lower volumed/higher priced, lower volumed/higher margins.

The way we've done it - and a good example is if
you went to a Coles supermarket today you'd see a Mount
Franklin dedicated water fridge. Now, that's at full
margin for the retailer; it's at full margin for us.
Yet if you went down the aisle and you saw 1.25 litre or 2 litre Coke and it would be nearly the same price as it was five years ago.

So the challenge for people like us is to make sure that we have within the balance of our program enough products on promotion - because Coke is obviously a store driver, an incredibly powerful store traffic driver for retailers, whether they be the majors or whether they just be the independents, and we spend a lot of time making sure that if we've got multipack cans, that it's a value-add, that you can get a free Big Mac or two free tickets to the movies. So you end up having that combination within your business of value-added products and promotional products and full shelf-price products as well, and continually innovate that so that the consumer - first of all you don't get delisted. That's the important thing, that the product category in itself is growing, and that gets more attention for the retailer because you say, "I can deliver you extra product. I can deliver you extra profit".

A good example of our nearest competitor, which is Pepsi, for instance: if you went to a fridge in a Shell service station or a BP, they will be selling it at exactly the same price, but nine out of 10 people will take a Coke versus a Pepsi, and the retailer knows that, and we make sure the retailer knows that - well, we better make sure that he knows that - and of course we then drive that in terms of how we get more shelf spacing for our type of product versus something that's perhaps further down the food chain.

QUESTION: Terry, Phil Armstrong, Sydney Consulting. Just a question on manufacturing. Can you tell me the commitment to total quality manufacturing and Six Sigma. Where are you and are you satisfied with the efforts that are being made to continually enhance the quality of your manufacturing processes?

MR DAVIS: We look for ISO accreditation in all our plants. We find that the Coke quality system is actually of a higher standard than the ISO standard because when you have a beverage that is just so prominent as Coke, your standards actually have to be higher than the industry average, and we put more store in that. I think at a manufacturing level we're very good. I think at a
materials handling and distribution level, we're not quite state of the art but we're close, and we spend an awful lot on technology and are spending an awful lot of technology to automate those functions, as much to reduce OH&S issues.

I think the way of the future will be no forklifts. There will be automatic pick and automatic pack for our type of businesses, and which is large capital expenditure, but businesses our size can't afford not to, and to give you some idea why not, in the month of December, just out of Sydney alone, I think we will send out eight million cases of product, and of course the logistical requirement of that is an incredibly complex set of instructions that you need to get absolutely right.

MS TRINCA: And it's the case too that you've brought your software outsourced IT back in-house, haven't you? Can you talk about that a little bit.

MR DAVIS: Yes. That was the thing that really surprised me about Coke. Coke has a global IT platform that's a legacy based platform but it's very cheap because it doesn't cost us anything, as opposed to an ERP platform that would cost us $50 million to $100 million to implement. But, as a result, it comes with all the hang-ons for that.

It's an area that - I've been surprised how companies, particularly in the dynamic areas, why they would outsource, because if you have your IT people as part of your business planning process and understanding your business, it's not something that I'd want to have outside, and we've brought all that back inside. We've taken out our consultants, taken out of contractors and of course now we're getting a sense of feeling from our IT team that feels that they're part of the overall team and getting them out of their cage, as I say, and getting them actually out into the working place, and as a result, we're getting things fixed and done that we couldn't have contemplated three or four years ago.

QUESTION: Hi, Terry. To a lot of us sitting in this room your job is really the pot at the end of the rainbow. What I'd like to know is: for people who obviously would like to get on a similar career path and end up in
a position like yours at some point in their future, what advice would you have to offer them?

MR DAVIS: I'm not sure whether it's the pot at the end of the rainbow, but it's not bad. There are times in your life where you have to make decisions that you take a risk at. The secret is to know when you're ready to do something, when you've got the capabilities to trust your judgment.

I think that in a lot of times you are a function of what the cycle is at the time. Look at all those people that jumped ship in the dot-bomb days - the dot-com days, sorry - that are now out there looking for jobs because they saw that there was a different future for them, and it turned out that for some that was absolutely right.

I think that if you can excel at something, that if you can be so determined that you are going to be the best at that, and therefore it's not so important about how good you are now but how good you want to be, and what you're prepared to sacrifice along the way - there's no doubt that this comes with sacrifice. You have to work incredibly long hours. You have to dedicate your time. It means that you can't burn both ends of the candle, that you have to be dedicated to your task, and not everybody's prepared for that commitment.

So I think you will know within your own mind - I don't think I set out to be a CEO of a public company at the age of 15 or 20, but what I did set out was to have financial independence by the time I was 25 because I came from a reasonably poor family and I didn't want to go through the same heartaches that my parents went through and my brothers and sisters went through. So I think there's always some determining factor in your life that you either get influenced by somebody to go and do something different or that you just see an opportunity and you're lucky; You're in the right place at the right time.

Somebody once reminded me that there are a lot of rich people who are not necessarily as smart as you are, but they are, and I don't think that absolute wealth is a determinant of success. I think what's inside of you and how you deliver that success, how you deliver on that success, that's the thing that I get most satisfaction out
QUESTION: Hi. My name is Natalie. I was actually just wondering how you communicate with people on a daily basis to keep on top of exactly what's going on every day. Obviously you're in charge of a huge company and there's so many aspects that you need to be on top of. How do you communicate with everyone?

MR DAVIS: There are 16,000 employees at Amatil, so that's a reasonable sized number of employees. I have a wonderful bring-forward system. That's the way that I use most of all - when I send an email to somebody, I have a bring forward, whether it's a day or two days or five days, because your memory can't be that good, and you end up just having to take a whole lot of notes on what you bring forward, to not necessarily remember the issue, but remember that you should deal with that issue and knowing where to look for that issue.

Also I've got an open door policy with all my staff, so we don't have a hugely formal structure of how people can come in and share their problems or share the issues, and so I find that the conversation that you started with tends to lead into a whole range of other things as well because you can have that open and frank dialogue with people; they feel comfortable about bringing the issues to you. What I try to get with people and myself is best judgment rules apply. When they feel that there's an issue that they can't deal with because of either their authority levels or their competence levels for that topic, there's some mechanism that that gets to me.

Now, does that happen all the time? Yes, most of the time because you encourage people that it's a no fear or favour, and that's where you communicate, and so you end up having most of your communication of people coming to you rather than you having to go to them.

MS TRINCA: I think we have time for two more questions.

QUESTION: Terry, I'm interested in the difference between water and Coke. Water is new for Coke, and I guess at Fosters there's beer and wine, but historically organisations have tended to either sell water or sell some other beverage. That's my understanding. I wonder for Coca-Cola Amatil what future do they see in terms of
MR DAVIS: There are people who have woken up in the morning with a headache from self-inflicted purposes who say, "I want a bottle of Coke" and others who say, "I want a bottle of water". I don't know whether there is too much difference.

Going back to my earlier point about people wanting different beverages for different times of the day, I have a bottle of water on my desk for the whole day, and somebody comes in and gives me a new one when one is finished. The thing about water is that you can drink it cold and you can drink it ambient. So that's the very first thing.

We see now - we do a lot of business in petroleum stations where people on a journey will buy their bottle of Coke for their refreshment, but they'll buy a bottle of water for hydration for along the trip, and I think the thing about water is that it's expandable consumption. There is no such thing as over-drinking water. And we hear all the doctors and medical evidence to suggest that drinking your couple of litres of water a day is good for you, or it's certainly not bad for you. There are a number of people that also drink a couple of litres of Coke per day, and I won't comment whether that's good or bad.

Now, for us, historically the European countries where water has been traditionally seen as a healing agent, particularly in the spas like in Spain and Italy, that has four times the consumption of Australia. I think we've got some cultural issues to deal with in terms of how we drink water with meals, how we drink water during the day, but I tell you what: Australians are taking that on pretty rapidly.

We're just launching a sparkling water under Mount Franklin. Why? Because I'm sick of going to restaurants and getting San Pelligrino shoved down my throat, and I said to our people, "We better fix this", and it happened. Why? Because Australians have found that we're great supporters of our own product. We've seen that right through in terms of what's happened with wine, what's happened with beer, and I say, "Well, why do
people have to have something that's been on a ship for six weeks coming out of some mountain in Italy other than prestige?". Now, who would have thought that water would have had that prestige? The fact is that water today sells at higher prices for bottled water than petrol does. So somebody must be getting it right.

MS TRINCA: Those Italians, hey.

MR DAVIS: Yes, it's the Italians.

QUESTION: I'm a student from the University of New South Wales and I just came to Australia for two months. During the two months I always drink Coca-Cola, so I'm very happy to meet you here.

MR DAVIS: Are you looking for a job?

QUESTION: That's what I'm going to say, that after I graduate I hope to work in Coca-Cola. But before that I hope to have the opportunity to take a picture with you after the meeting. Can I?

MR DAVIS: That's fine.

QUESTION: Okay. My question is: when I am in Australia, when people talk about Coca-Cola they always lean towards you and when people talk about you, they always connect to your company. To that extent, your goodwill is connected with Coca-Cola's goodwill. Do you agree with this opinion?

MR DAVIS: No, I think companies are far more resilient than people are. I think the reality is that CEOs are custodians of companies for really a very short time, and the reality is that companies tend to survive with those changes.

Now, sometimes they do better and sometimes they do worse, and probably the most important role of the board is to make sure that the succession and the appointment of the CEO and the management team are well executed, but I think to some extent CEOs are identified in Australia with companies but not to the extent they are in some other countries.

QUESTION: Okay, thank you. And in my lectures, in my
management lectures, my lecturer told us the opinion that a good CEO should make sure the company will perform better after he leaves. Do you think it's too difficult for a CEO to be a good CEO? Thank you very much.

MR DAVIS: I think that's an ideal outcome, that you'd like to think that you could leave as a legacy with an organisation that you've made a difference whilst you were there. The reality is that organisations do go through cycles and it takes different people to lead companies through different stages of the cycle, depending on what's happening with the economy and what's happening in the marketplace. I would hope — and certainly one of my objectives is to make sure — that the company's in better shape when I leave than when I started. So far so good.

QUESTION: Thank you so much. On behalf of all the students in the University of New South Wales, we warmly welcome you to come here. Thank you very much.

MR DAVIS: Thank you.

MS TRINCA: Thank you. I think, Terry, that is a perfect note to finish on and thank you. Could I invite Giam Spiegers to the stage, please, just for the formal vote of thanks to you.

MR SPIEGERS: Well, good evening and what a wonderful evening. At Deloitte we're really very proud to be associated with this Meet The CEO program and even prouder so to share the stage with one of our clients this evening.

I have been to Harvard Business School quite a few times on different courses and it has always been very interesting to see how proud they are to show you the video material of the top class CEOs that make the time to go and speak to the students in America, and it has always bothered me quite a lot that we do not have that opportunity in this country. There doesn't seem to be much opportunity for students to listen to top-class business leaders. So, as a result of that, we were very keen to be involved in this program, and the quality leaders that they've assembled is just fantastic.

I do not think you can ever underestimate the value
of listening to what successful people have done and
learning something from them. Nobody's a perfect role
model, but there's always something to be gained.
I'm pretty new in my role and I know I still try and spend
a fair amount of time with successful people because there
is so much to learn. I guess a lot of the people that
work for me that are here this evening will also say that
I have so much to learn.

But I can say I had the privilege a few weeks ago,
about four or five weeks ago, to spend a Saturday evening
at the Taronga Zoo with Terry at the ABBA Revival, of all
things. What I can report is that we have one thing
in common: we both have a dislike of dancing. We
discovered that that evening.

On a more serious note, Helen, this was brilliantly
done. The range of questions was very entertaining, and
I hope you've enjoyed it as much as I have.

MS TRINCA: Thank you.

MR SPIEGERS: Terry, this is fascinating. I've watched
your success for a long time. Learning about what you're
doing and how you're doing it at Coke is fantastic.

If I could give you some advice - in the whole time
this evening if there was one bit of advice that you
should take and should listen to should you want to be
successful, it's about in the middle of Terry's
presentation. He said, "Never take a job that you're not
passionate about". If you're at your age and you're in
a job you're not passionate about, get the hell out of it
and go somewhere where you're passionate and where you can
perform to the best of your ability.

I've been around for a fair amount of time, longer
than I'd like to admit, and I have seen so many people
with great potential that have really not lived up to
their potential because they were willing to spend one
more year in a job they had no passion for. So, Terry,
that was great advice and I really believe it was
worthwhile.

So all and all, thank you for a great night and
we are proud to be associated with it. Thank you.
MR WHITTRED: Thank you, Giam. It falls to me to make a very small presentation to both of our guests tonight, and you'll be perhaps unsurprised to learn that in those 30 hours a week rowing in Tasmania, Terry must have obviously acquired some understanding of how to fish, and he's somewhat passionate about flyfishing and so we have managed to acquire a text on the topic which we hope will be of some assistance.

MR DAVIS: Thank you.

MR WHITTRED: Ladies and gentlemen, I don't want to keep you too much longer, but I do want to just remind you a little bit about why we're here this evening. The reason we are here is largely due to the passion and enthusiasm of our advisory board. The board and the faculty have a very clear sense of what we're trying to do. We seek to be the leading business faculty in the Asian region, a compelling place to work, to learn, to return, and the return part is about getting the alumni back here, getting them engaged and wanting to come back and re-engage with us.

To us, being the leading faculty is really about engaging, and the board has taken that mission very seriously. In the last 12 months it has worked with the faculty to engage the business community with the launch of our Thought Leadership Initiative; with our Executive in Residence program, and I've already mentioned that Steve is with us here this evening; a series of industry networking events with each of our schools.

We've likewise sought to engage with our alumni with the launch of our alumni leaders network, and I've already mentioned that some of our distinguished alumni and alumni leaders are here this evening, and I'd like in particular just to acknowledge the participation of Peter Barnes, Robert Farrell, Daniel Gochet, David Gonski, Max Goslin, all the way from Japan but not specifically for this event, I'm sure, Michael Grace, Julian Mitten, Bruce Morgan, Kathy Rossi-Harris, Colin Ryan, Keith Skinner, Bob Sutton, Bruce Watson and Albert Wong, among many others I'm sure.
These are alumni leaders, people who are graduates of this faculty who have chosen to come back to re-engage and lend their support to our initiatives. It's with their support that we're able to do the sorts of things we're doing here this evening. The Meet The CEO program is clearly another of the kinds of initiatives that we are working on.

Finally, there's a revitalised website. If you want to hear anything again from this evening's presentation, click on the website in the next day or too and you'll be able to see it all again. Go there, re-engage, sign up, stay connected.

Ladies and gentlemen, it may have been some time since you engaged with the faculty. Indeed, you may well have been far from interested, possibly even disinterested, in being engaged. We're going to try and move you from being bystanders to being a friend, an ambassador and indeed possibly even one day a champion of the faculty. We recognise that this will take time and a vision, but we do have both, and we look forward to sharing them with you.

Ladies and gentlemen, thank you for your attention this evening and your time. We look forward to seeing you at another event.

THE PRESENTATION THEN CONCLUDED