

Speaker: **Harry Volande, EVP and CFO**
Siemens Energy & Automation, Inc.

Title: **“Achieving Growth Through Strategic Restructuring”**

Place: **13th Annual CFO Rising Conference**
Orlando, Florida

Date: **March 20, 2006**

Speechwriter: **Erick Dittus, 678-354-2805**

Thank you Mary for that kind introduction.

Good morning...

It's *always great* to be back in the adopted hometown of Mickey Mouse and the great Tiger Woods...

While it's hard for us, as CFOs, to gain many worthwhile business insights from studying Mickey, or Goofey ... We certainly can gain a few pointers from a quick study of Tiger's approach to the business of winning golf tournaments.

Like *Best of Brand CFOs* – Tiger knows the playing field *is constantly changing...* and that *the innovative technique* of five years ago is the everyday approach of today.

So, in order to stay ahead of a pack -- *that keeps getting better and better* -- Tiger Woods has to constantly improve... restructure and realign... his approach to winning.

Remember back in 2003 - 2004 when Tiger almost seemed *mortal?*

Vijay Singh took the World Number One ranking away from him, while Tiger didn't win a major.

TV commentators went *on and on* about his "slump"... and a few even hinted that he was, at 29, over the hill.

So, what did Tiger do?

Still being the best player in the world in 2002 he revisited his basics... revamped his swing and enhanced his game with new technology by switching from steel shafts to titanium... *and once again went to the top of the leader boards.*

If we are to succeed at what we do – *and consistently deliver to our stakeholders* -- we must be *as nimble as Tiger* in our practices... *and constantly* be looking for ways to help our companies stay ahead of the competition.

Staying in the game requires us to retool – to rethink how we go to market and work with our partners to build market-driven solutions.

On my first day on the job at Siemens Energy and Automation in 2001, the company was losing over a quarter of a million dollars every day. I knew that without *significant restructuring...* the bill would soar.

The unrealistic forecasts that enabled the Y2K and Internet busts... as well as the telecommunications fiasco... all played a role in the development and ultimately the undermining of Siemens Energy & Automation... or as we *affectionately call it*, SE&A.

The common belief in Alpharetta, Georgia was that the company did great before the recession...

But *the primary cause* of SE&A's decline *was not* an economic correction that nawed at the global economy.

It would have been great, for us... if it was that simple.

But while the economy played a role, SE&A's inefficiencies, lack of productivity and its less than stellar approach to its markets were *the primary culprits*.

In 1998 with revenues around 1.7 billion dollars, SE&A's leaders created an extremely optimistic five-year plan with 2.5 billion dollars revenue as a goal for 2003... Not backed by clear measurements, it was a goal driven by *the irrational exuberance* of the late 1990s.

From these unrealistic growth projections, local managers built out a sprawling... decentralized organization, *complete with redundancies*, to support their programs. At its peak in early 2000, the company was up to about 2.2 billion dollars in revenue. In 2005, as a more focused re-sized company, we're turning two billion, with *real sustainable profits*.

While the incumbent SE&A management team talked about re-inventing SE&A, back at Siemens global headquarters as we reviewed the plans and the numbers, we realized the need for *a major restructuring*.

How did SE&A – an organization that's *a valued part of the Siemens worldwide family of companies* -- manage to drift *so far* off course?

And what could we do to make it achieve *significant* – and *realistic* fiscal goals?

Part of the problem came in the very origins of the company... SE&A was a creature *driven by acquisition*.

The strategic acquisition of companies can do *wonders* for the balance sheet.

But only through *well-managed growth* can a conglomerate of companies continue to achieve long-term success.

And that's where SE&A's management failed.

At its Pre-Dot Com bust peak... SE&A consisted of over 40 businesses with 12,000 employees assembled under the Siemens banner... Today there are about 20 focused businesses with a workforce just below 9,000.

In 2001, they lacked a working knowledge of a company-wide program at Siemens called Top-plus.

The Top-Plus program embraces the sharing of best practice learnings gained from across our global organization. It contains great methodologies for Asset management, Supplier management, Benchmarking and other business improvement tools.

In every aspect of their businesses from planning and procurement to manufacturing to selling, SE&A went to market as *a federation of inefficient fiefdoms* rather than a centralized, *well-planned* enterprise.

Redundancies *proliferated* – and productivity *declined*.

While the various businesses had common procurement needs and clients, before 2002, SE&A failed to coordinate buying and selling activities.

As a result, we didn't leverage our purchasing power and our *considerable* companywide market expertise. And...when it came to interacting with our clients, we showed them *too many faces*.

It's estimated that **just our inefficient decentralized procurement** cost us **25 million dollars a year more** than it should... It's difficult to quantify how much sales opportunities we lost because of a poorly coordinated go-to-market approach.

When looking back at 2001 and *the miss-direction of SE&A*, a conversation between Alice and the Cheshire cat, in "*Alice and Wonderland*," comes to mind...

Alice: Would you tell me, please, which way I ought to go from here?

The Cat: That depends a great deal on where you want to get to...

Alice: I don't much care where.

The Cat: Then it doesn't matter which way you go.

Alice: As long as I get *somewhere*.

The Cat: Oh, you're sure to do that, *if only you walk long enough*.

Unfortunately, it's not difficult to *imagine* similar discussions taking place at SE&A... But...perhaps worst of all, these businesses *couldn't share vital information*. We had 31 legacy IT systems, and all 31 of them were incompatible.

The results?

How about three separate shipments... from three separate divisions on the same day to the same customers... followed by *three separate invoices* with three different terms of payment.

And what were the consequences?

Credit exposure, higher logistics costs for us and the customer... **much higher** process costs for us and the customer. And **those are** only the **financial** impacts!

More often than I care to remember, we received purchase orders in one system that did not communicate with MRP systems.

In the good old days, this would have *just driven the accountants crazy*.

Today, with *wonderful* Sarbanes Oxley on the books you could earn one *very unwelcome visit* from an employee of the Department of Justice...or in our case... And...*even worse for us...* an *unbappy* visitor from our global headquarters.

Up until late 2001, as long as its revenue climbed, SE&A was allowed to maintain what some saw as a local “American character.”

Few of SE&A’s senior managers had deep roots in Siemens. Some even *openly discounted* the need to utilize the Siemens’s Top-plus approach.

But SE&A’s low productivity *and* poor financials said the organization *clearly needed* to be *re-connected* to Siemens Top-Plus best practices.

With that in mind, I came to Georgia, and joined a small, *trusted team* charged with driving the restructuring.

At that time, SE&A’s management was still unsuccessfully *attempting* to reinvent the organization.

Quite frankly... knowing what I did about the company’s dysfunctional processes and under-productivity, I asked, “Why spend money on reinventing?”

“Just *copy and paste* from what we already know about running a company well.”

Two months before my arrival, a restructuring Program Office opened for business at SE&A.

The Program Office was put in place to analyze the deficiencies *and ultimately* oversee and constantly measure the progress in the realignment of SE&A...

And... its time tested, numbers-driven methodologies showed the need to reduce SE&A’s overhead.

So, during my first week on the job, I met with the CEO and his team, for *the unpleasant task* of explaining the need to lay off about three thousand people. I asked them to *immediately* identify where the cuts would be made.

They said, “We can’t do that *during Christmas.*”

My response was, “I’m sorry, *but* if we wait until January we’ll need to lay off *200 more people* in order to make up for the *additional financial losses.*”

Remember, we were losing *over a quarter of a million dollars every day!!* So, in one month we’d lose about another *eight million dollars.*

Not grasping the cost to SE&A – *or its soon to be laid off associates* -- they *still* insisted on the one month delay.

Unfortunately, that was just the first of several run-ins with the CEO. He couldn't embrace the Siemens 4-Eye principal that essentially puts the CEO and CFO on equal footing.

Despite very clear messages from the Siemens Board about the need to support the 4-Eye approach, the CEO, who'd previously worked for a very large US-based competitor where the CEO is supreme, couldn't – or wouldn't – accept the concept.

So what exactly is Siemens's 4-Eye principal... and how does it work?

The Siemens management-governance model grows from a European tradition stressing cooperation...

The CEO and CFO work *in partnership* with one another... The CFO does not report to the CEO... rather they both report separately to the board of directors.

At Siemens, both the CFO and the CEO own business strategy. So, if it fails, both are responsible.

This insures that there are two people – *of equal authority* – who can verify that the strategy is working – or that it needs to be changed.

The CFO, while working closely with his CEO partner, must continually ask the question, "Is this procedure, strategy or tactic good for our business *from a financial point of view?*"

During the Enron and WorldCom *implosions*, employees across Siemens companies in the USA expressed concern about governance and financial transparency.

They wanted to know if there was a potential for our books getting cooked. An explanation of the Siemens 4-Eye principal... *and how it protected employees and shareholders*... alleviated their fears.

In May 2002, Aubert Martin, with whom I'd worked with on another Siemens assignment... became the CEO of SE&A. (And trust me, I had a BIG say in that!)

Our actions showed colleagues that the Siemens's 4-Eye principal made governance liabilities highly unlikely at Siemens affiliates anywhere in the world.

In Germany, people scratch their heads about Sarbanes-Oxley. *At Siemens, we don't need it*...

We have the 4-Eye principal... complete with the checks and balances that come with its *segregation* of CEO-CFO duties...

With the 4-Eye principal in place, employees quickly learned that the new CEO and I would work closely, as a team, as we did during our previous assignment.

This partnership quickly sent a very positive message, making the importance of teamwork *clear to everyone*...

And... While sticking to our process, we actively communicated with employees.

We told them “it will be tough, but the work we’re doing to realign the company is going to give the company – *and all of its winning team* -- a better future.”

And...early on... we changed the name of our process from reinventing to restructuring. Twelve months later, with the company well on the way to a solid recovery, we renamed our course of action, “*Winning team.*”

When talking with colleagues at the beginning of restructuring, I often compared what was going on inside our walls to something that was happening up at Lake Lanier, a huge 38,000 acre man-made lake in Georgia just a few miles North of our offices.

When the water level is high, it is a beautiful, recreational center. But this was a year of a serious drought.

I asked associates “have you been at Lake Lanier lately?”

The universal response was, “No, and why?”

I told them, “Go see what a lower water volume *exposes.*”

You see the reality that’s below the surface: the tree stumps, rotting dock pilings, wrecked cars and other useless junk, just laying in the muck.

A similar phenomenon takes place when a company experiences an economic downturn.

With reduced volume we see the poor performers, the redundant processes, the deficiencies and inefficiencies, hidden by volume in the good times.

In order to more than just patch a few holes and ultimately end up back in the same place again, a company needs to have a *strategic plan* for restructuring.

We’ve used the Siemens “V-Approach.” A Top+ strategy, its first step is cost reduction. In working to achieve this goal, we *enhance productivity* ... and achieve new levels of efficiency.

It is designed to *seriously* analyze processes along *the entire supply chain* and find ways to increase efficiencies and productivity while **reducing** cost.

While cutting cost out on the *front side of the “V”*, we create approaches that will be implemented on *the backside of the “V”* ... after cost is brought under control.

We postponed sales stimulation until we reached a sustainable cost position.

Situated on the left side of “The V,” the Program Office played an *essential role* every step of the way.

As I mentioned a moment ago... it set targets... focused initiatives... drove coordination of restructuring, monitored and measured progress and challenged our divisions to achieve productivity goals and utilize our top plus, best practices.

Across SE&A, in all divisions, we put managers on restructuring initiatives focused on setting and achieving productivity targets... setting-up sales increase initiatives... and driving productivity improvements.

And, the Program Office... *with a web-based Productivity Tracking Tool which methodically tracks activities that impact productivity...*, made all these managers walk the talk.

In taking this *V-approach*, we made sure our businesses... unlike some beleaguered corporations recently appearing in the headlines... did not use sales and increased volume to cover the need for restructuring.

Yet... it isn't a case of simply waiting until cost comes in line and then sending the sales force out to sell widgets.

If the market is in a state of upheaval, we withdraw from low yield markets, and place our sales resources in market segments that show significant promise.

(Short Pause)

The first year we focused on cutting in every division. But while we were reducing overhead, we *also planned for future organic growth*.

While cutting the expenses and focusing on the reduction of the complexity and size of SE&A... we decided to invest 80 million dollars, over the next four years in standardizing our IT platform on SAP.

Without this SAP investment, we could not have gone forward with the successful realignment of the company.

We consolidated plants... And we brought process improvements and lean manufacturing to the remaining US operations. In parallel we built up solid offshore strategies and execution capabilities.

In the front, downside of the "V-Approach," we set criteria for evaluating whether a business was a core or non-core business.

We frequently communicated across SE&A that we were going to close or sell all *non-core* businesses.

It was not a question of fixing non-core businesses...

Some of these businesses were performing well. However, we sold them because we needed to focus on our core businesses and reduce complexity.

For example, we sold a profitable custom electronic manufacturing center in Johnson City, Tennessee because it *clearly was not* a core activity.

Other unprofitable businesses, with small mediocre volumes didn't give us operational synergies. They weren't sales channels for our core products, so we got rid of them.

In 2000-2001, we closed or sold about fifteen percent of our core volume. Not a huge value reduction, but it reduced complexity... while cutting overhead.

In addition to focusing on core businesses, we reduced our redundancies by centralizing human resources, accounting, procurement, and other non-core services – which had been scattered across the SE&A federation.

In 2005, four years into our winning team process, our centralized procurement functions saved us nearly 19 million dollars that year alone.

While this saved us money, it also allowed the divisions to *focus on their core activities*.

Today, we are increasingly moving jobs *that do not directly support the core* to a Shared Services Group of Siemens Corporation, our US parent company.

Our rethinking of SE&A – and its role in the marketplace, also resulted in restructuring the SE&A sales organization. This was a major piece of revitalizing our company.

We consolidated our sales groups... cut the number of sales support centers from sixteen to eight... while upgrading the quality and capability of our sales force.

Unlike some of our global competitors... *regardless of the economic climate*... Siemens emphasizes the continual training and upgrading of our employees' abilities to contribute.

With improved training – *including a greater knowledge of technology* -- our sales force can bring even more value to our clients.

Previously, they'd broken the sales down into way too many areas and regions.

There were physical and mental disconnects between our disjointed sales organizations... We merged them... and brought them into one building... and really under one roof.

Confident that we'd established strong relations with our clients, we shifted headcount out of markets where we were number one or number two.

We moved these associates into markets where we were in a fourth... fifth... or sixth position... and wanted to move-up to first or second.

In a downturn, it's wrongheaded to pull out of areas where we're on the brink of growing.

That's the time to move, especially with new technologies coming on-line. Customers want familiar and trusted partners to deliver technologies that increase productivity... *and save money.*

We also have improved distribution channels and costs to enhance customer satisfaction and expectations in doing business with SE&A.

We invested very carefully in certain industries and markets.

We created centers of competence organizations around key industry segments like automotive... food and beverage... oil and gas... chemical... and pharmaceuticals...

All to prepare for additional growth opportunities that we *could not take advantage of* under our previous structure.

Today, we're filling gaps in our portfolio with *strategic* acquisitions... It's the backside, or upside of *the V curve.*

When we went down the curve, we right-sized our structure and fixed processes... Now, as we're coming *back up the V*, we expand incrementally... adding on capacity and integrating businesses *that promote our core.*

In order to achieve sustained... *and profitable growth*... while gaining a leading market share in targeted markets, our sales channels now provide both upgraded products *and improved solutions.*

And as I mentioned a moment ago, in order to meet the real needs of their customers, our salespeople are receiving more training.

With the aid of improved technology and communications, we're also improving our customer support across the organization.

Over the past four years, we've made considerable progress in sales. In 2006, the average SE&A salesperson sells about 25 percent more of dollars in Siemens goods and services than they did in 2002.

As we've moved forward with this process, we've learned a great deal about SE&A and the process of restructuring.

But what was our most important learning?

For me, *that's simple.*

Make *more tough decisions quickly... even faster than we* did. The organization will follow. If you don't, *you extend the pain...* and it costs *much more* money.

Looking back, I can see where I should have made *faster, more decisive moves* on process improvements... factory consolidations... and relocations during those two years when the economy was down.

There will be more factory consolidation. We started with 31 manufacturing, assembly, and distribution locations. We're now at **22** and we'll be down to 15 before our five-year process is through.

But we're also creating jobs... and hiring people as we fine-tune SE&A and grow revenues. And as we progress, we're pushing *a lot of responsibility* for maintaining productivity down through the ranks.

That's also a core Siemens tradition...

So, just where are we in our winning team process today?

The "Winning Team" at Siemens *continues to move forward*, while focusing on *actively integrating* Top Plus-ideas *into daily practices*, and we hold bi-monthly meetings and progress reviews.

Employee incentives link employees from our headquarters to the shop floor with achieving *clearly defined...* companywide productivity targets...

We're still – and always will be measuring, and while we're growing faster, we're still focused on our processes and maintaining efficiencies and reducing complexity.

As our five-year plan nears completion, we know our goal of increasing productivity and efficiency, while meeting *real market needs*, can never really be achieved...

Regardless of the progress we make – and at SE&A *we've made substantial* progress – I'm *always* telling colleagues, "When I begin to see comfortable people around me I get *very nervous...* Because that's the beginning of *a need* for the next restructuring."

At Siemens, we understand that like the great Tiger Woods, *if we are going to keep on winning, we must constantly improve our game.*

Thank you.

##CFO-Rising-Conference##

**Speaker: Frank McCloskey
Georgia Power
Vice President, Diversity**

**Theme: “Diversity: A Prescription for Change”
Chief Diversity Officer Lecture Series**

**The Johnnetta B. Cole Global Diversity and Inclusion Institute
Bennett College for Women**

February 21, 2006

Speechwriter: Erick Dittus

678-354-2805

Thank you, Dr. Julianne Malveaux. I'll do my best to live up to that kind introduction.

Thank you also Dr. Johnnetta Cole. I am deeply honored to address the women at Bennett College and to be part of the Diversity Lecture Series, an important initiative to expand the impact of the Johnnetta B. Cole Diversity and Inclusion Institute.

(Short Pause)

I can't think of a better place to deliver a message on the need for inclusion than before an audience of Bennett Belles, in Greensboro, where Nathaniel Green fought the British ... Quakers, opposing slavery, built an Underground Railway station ... and four young brave men sat down together at Woolworth's, at a time Jim Crow forbid them to eat a meal.

(Short Pause)

While in earlier remarks, chief diversity officers did a splendid job sharing their organizational and personal "best practices," today, I'll take a slightly different path.

Many of the lessons I've learned concerning diversity have come from my 34 years at Georgia Power.

The leaders of my company are actively committed to a positive shift of culture and have provided considerable resources to make that difficult journey a reality.

I am also blessed to have unwavering support and confidence from our company's president and CEO. His support and confidence inspire me.

While our progress and successes have been significant, and there is much more work to be done, I won't be speaking to the specifics of our programs today.

Instead, I'll focus on why these initiatives are required, the barriers to sustaining their progress, and the challenges – and opportunities – for personal and professional growth in the workplace for the Bennett Belles present today.

(Short Pause)

My first order of the day is personal. I believe I **cannot** have credibility with you unless I first reconcile with you.

Let me first state the obvious. I represent the part of American population who often is the primary target of diversity and inclusion strategies: Corporate America's white, heterosexual, Christian male.

As I acknowledge the past, I am personally and sincerely sorry for the pain of racism, hate, fear and bigotry that have impacted lives. I am sorry for anything I personally have done knowingly or unknowingly to add to that pain.

It would be at best disingenuous, and a worst a lie, to say I have not benefited from the privilege I gained because of my complexion and gender.

Yet, I can't turn back the clock and wipe away the affects of the introduction of slavery to Jamestown or when Plessey v. Ferguson made segregation the law of the land.

I do, however, completely dedicate my existence to work with you to transform America's places of work into venues of inclusion, conducive to professional and personal growth.

(Short Pause)

At this moment, there's much said about diversity being strategic and aiding the bottom line. But in many, if not most companies, it still seems to me that diversity **is not seen as a core item**. Rather, it's something that must be done by public companies, a check-off on the corporate to-do list, with a kind of compliance mentality.

What is missing is the collective hearts and minds of those who reside in corporate America, who breathe life, or not, into our strategies ... that this really matters.

For too many, our diversity strategies still feel like, "I have to give something up in order to be inclusive ... zero sum."

At Georgia Power, like many other companies across North America, we've made a lot of progress, actually wonderful progress when you consider where we were less than a decade ago.

The senior leadership of our company has gone from "less than a handful of women and minorities" to about 35-40 percent of our board of directors, management council and the top 27 officers.

We're still not where we want to be with inclusiveness, but we're committed to getting there.

More importantly, I think making sustained improvements is not only increasing representation at all levels, but it's also about all of us – at all levels – learning the hard stuff about soft skills.

There will always be a need for well-grounded justifications of diversity and inclusion initiatives. Senior management will continually have to be convinced there is a return on investment.

So, even though there have been enough diversity business case studies to fill a moderate-size library, we ask for just one more to prove the value of what we're doing. It

seems we are asking for a silver-bullet business case that will make something that appears illogical to the dominant group as ... more logical.

The fact is without a single business case for diversity, we must sustain and expand these initiatives. But why do we have to justify having every employee feeling valued, respected and included?

We should be doing this because it's **the right thing to do! And there is not a moment to lose.**

(Short Pause)

Now more than ever, having all of our current and future work force prepared and fully engaged in productive, meaningful work is critical if the United States is to keep up with the momentum of global competition.

Whether it comes from Asia, the European Union or Latin America, American dominance in every industry is or will soon be under siege.

With the retirement of the Baby Boomers, there is a predicted shortfall of over 11 million workers beginning in 2010. Within the next 30 years, that shortfall is expected to reach 30 million.

As the need grows for people with strong math and science backgrounds to fill these vacancies, there is an under-representation of African-American and Hispanic population receiving college and science and technology degrees. Additionally, there is an over-representation of African-American and Hispanic populations with respect to poverty levels.

I think it's important to note, that even though both African Americans and Hispanics are underrepresented in college, the overall number of Hispanic graduates is greater than African Americans. That will have huge implications for you as educated African-American women in the workplace and in life at large.

What picture I see forming is a need for corporate America to redefine what a healthy community is. The educational and economic divide across racial and ethnic lines – especially for African-American women – is becoming a threat to sustaining corporate America's future business models.

This is why creating more inclusive, win-win environments for all employees is critical. Inclusiveness has to begin inside the walls of corporate America if we are to strengthen the outside communities and educational institutions that ultimately support our workforce and business success.

(Short Pause)

If you read my bio, you may wonder how a white male with a degree in industrial management could end up as vice president of diversity at a major corporation in a city that many see as at the cutting-edge of diversity in the heart of the New South.

After being educated at both Marist School and Georgia Tech in Atlanta, I followed a career within the operational side of Georgia Power. As I began to understand that my life experiences and realities were significantly different than those of people of color and women, learning about diversity became my passion, my calling.

In addition to the influence of my wife and two daughters, no one event played a greater role in my personal growth than a shared experience with black and white leaders. The occasion occurred through Leadership Atlanta, which brings together corporate, community and nonprofit leaders for a year-long experience to understand Atlanta's diverse communities. The centerpiece of the experience is called Race Day.

In 1995, C.T. Vivian, a confidant of Dr. Martin Luther King Jr., and a living legend of the Civil Rights Movement, directed the Race Day program in which I participated.

For me it was a powerful, cathartic experience.

It punctured the cocoon of white privilege that had surrounded, blinded and protected me since birth and opened the door to a personal journey that's far from ended.

For two days, roles were reversed. For whites, nothing we said was right ... everything we uttered was wrong. Hearing the personal stories of hurt, prejudice and discrimination experienced by the blacks in the room on a daily basis was profound and disturbing.

(Short Pause)

Toward the end of the first day, C.T. asked the white participants, 'What would you do or say to your children if they brought home a person of color to marry?'

I had no problem with that. I worked with people of color daily. I sat on boards devoted to civil rights. I thought I was at ease and comfortable in a multi-racial environment.

I was *a good man*. Each night, I went to sleep knowing I was a responsible Catholic, serious about doing the right thing. So, with no trepidation, I went home and asked our two daughters the question. And what was their response?

(Say their response loud and slow)

"Daddy, we couldn't do that. You'd go nuts."

(Short Pause)

While not calling me a racist, they delivered a jolting reality check. In my heart, I realized I was.

No, I wasn't standing around our home spouting bigotry, or denying them access to minority friends. But my daily actions, not words, propagated a message of exclusion.

(Maybe use hands to emphasize quotes)

Our family had moved into an all-white suburb to get "*a better return on our real estate investment.*"

We sent our daughters to overwhelmingly white public schools so they could get, quote "*a better education.*"

When entertaining at our home, it was always with whites, and *everyone* in my inner circle of friends was white.

What's interesting is I now recognize that my parents lived a similar life. I never heard them say anything derogatory about African Americans. However, I was unintentionally teaching our daughters the same things I learned growing up ... unknowingly.

(Short Pause)

At about this same time, I bumped into my former Georgia Tech football teammate, Eddie McShan, and we had a conversation that never took place when we were in school in the early 1970s.

Eddie was the first African American to play quarterback for a major Southern university. From slurs and threats in public to at times isolation from his teammates, it was a very tough time for him.

We played together for three years, but the blunt truth was I didn't see what was going on in our small world. We were both there, but only Eddie saw and experienced the ugly, overt prejudice and discounting of that era. Because of my skin color, I was living a different life.

Looking back, I wonder even if I had understood what was happening, would I have stood up for Eddie? Or would I have backed down because of possible consequences from friends, teammates and family.

To the best of my knowledge, no teammate overtly directed bias at Eddie. But he knew it was there, unstated, below the surface.

Since 99 percent of the team was white, we never had to think about our whiteness. We never understood how difficult it was for someone who was different to exist in our environment.

Interestingly, I see this same state of unconscious incompetence today, in any organization or group when the majority is white (male or female) ... or male (white or

black) ... or heterosexual (white, black, male or female) ... or Christian faith (white, black, male or female) ... or ... hopefully, you understand the point I'm trying to make.

All of us, everyone today in this chapel, are part of some majority or dominant group, and we might not recognize it. As a result, we may be unintentionally, unknowingly, discounting someone who is different than us.

What does one have to do to understand life from another perspective? For me personally, since it seems I am part of most majority categories, I intentionally look for ways to be out of the power position ... to become vulnerable, afraid and then open my heart and mind to learn. This is how my greatest learnings have come ... along with opportunities to form many of my closest relationships.

I don't want to leave you with the impression that only those in dominant roles have blind spots. Even those who are oppressed have bias. It's important for all of us to figure out what frightens us the most and not allow that fear to discriminate.

(Short Pause)

The responsibility I have gives me – *and every other diversity officer across America* – the opportunity for new levels of understanding.

I wonder if there is an opportunity for us to teach employees about what I just described, dominant culture, before focusing on the –isms – racism, sexism or homophobia and religious differences.

In my opinion, the way we are teaching understanding of diversity and inclusion unintentionally reinforces the zero-sum conclusion. I believe we are teaching the right things. It's just that we have to create a broader framework and understanding of dominance for all the other trainings to have greater impact.

I also believe providing a broader context of dominant culture in all forms will move us away from what it feels like our diversity strategies are doing ... fixing white folks, especially white men.

No one group needs to be fixed. Rather, we all have personal work to confront our individual biases. We must be advocates for everyone. We will never sustain our inclusion initiatives unless they truly include and benefit everyone.

(Short Pause)

As it stands now, it appears that only women and people of color should coordinate or direct diversity programs.

Many well-meaning, intelligent people say this is the best and perhaps only approach. Get someone who's experienced prejudice, who's sensitive and aware to do this job.

After five years as Georgia Power's chief diversity officer, I can't buy into that formula.

In filling any corporate position, including chief diversity officer, CEOs must look at a broad criterion when evaluating candidates. Racial and gender profiling of any variety should not be acceptable for this position or any other job in a corporation.

We must focus on skill-sets required for the job such as operational credibility ... interpersonal and communication effectiveness ... knowing how to influence culture change ... and having the courage to deliver uncomfortable messages to executive leaders and employees. If we don't stop sending the message that white men are not qualified and need not apply for the chief diversity officer position, we will never make the progress we all want.

(Short Pause)

I've been focusing on the structure and methods of diversity. Now let's take a look at the realities of the emerging workplace in relation to the women here today.

Let me offer my congratulations to those of you who'll be graduating soon and joining the workforce, fulltime.

As African American women, you will face many unique and difficult opportunities and challenges in corporate America.

Every organization is a cooperative venture, made up of thousands of people who will be different than you. People from the past have imbedded their beliefs and intellectual DNA in the company. This is how organizational culture is created, and it is most comfortable for those who look like the past employees who made and evolved the organization.

As the new workforce enters corporate America looking dramatically different than the organizational founders, be prepared to face subtle forms of discounting, discrimination and harassment that don't meet legal definitions. If and when you recognize and experience it, understand it is the organization's way of trying to remain comfortable.

When you begin work, immediately start gathering intelligence on how that company's organizational culture works ... what gets rewarded and not. Learn the unspoken rules, the invisible forces that must become visible in your mind in order to succeed.

Don't assume you know a culture ... find out about it. This is where formal and informal mentoring becomes invaluable. I cannot overemphasize how important it will be for you to have mentors with men and women of every color throughout the organization. If affinity groups are available, join and become active in them.

Do this type of research and then decide if the organizational culture is the right fit for you, worthy of your skills and prepared to fully benefit from your talent.

Changing organizational comfort **is** the key to successful diversity and inclusion strategies. Always remember you sit in the driver's seat. Try and work for companies that not

only reflect your values but are also dedicated to creating a culture that values everyone. That is where your future success lies.

(Short Pause)

My next point must be very clear. Quality performance in any job is required. It will be extremely important for you to receive frequent and direct feedback on your performance.

Additionally, you will need to build relationships and alliances with men and women of every color and status throughout the organization. Always treat and influence others with respect, fairness, care, knowledge and with confidence, no matter who they are.

As your career progresses, pull others up with you. When you do reach the top, you won't be so alone. You'll have allies who trust and respect your ability. Also be prepared to hear from colleagues, by people of your affinity, that you've assimilated or even sold out ... welcome to my neighborhood.

At some point, even by doing all the right things, you may find you're spending lots of energy on stuff that has nothing to do with work. It could directly be the result of someone not being comfortable working with you because of your race and gender. If you can positively influence that person's reality box and in turn improve your work situation, that's ideal.

Never allow yourself to reach a point where you feel powerless, frustration saps your energy and anger impacts your life. Before that happens, make a deliberate decision to get out and act on it. Maintain a positive attitude ... as difficult as that might be.

Never forget you bring much to the table. Don't doubt yourself. Just go sit at another table.

(Long Pause)

Along the way, if you embrace differences, you will get more than a few surprises.

Not long ago, an African-American female pulled me aside and said, "Frank, I've never trusted a white male. I've never admitted that before, and I'm saying this to you because you intrigue me.

"I don't know how to figure you out, and I'm really afraid that you are going to betray me at some point. I hear all these nice words, and I have no doubt you are well meaning, but maybe I've heard this before, and I've been betrayed before. And you know, we've been betrayed generation, after generation."

How do you answer that?

For me, the best answer was to keep going forward, doing my best, trying to earn trust while being true to who I am. It's interesting, the more I learn, understand and appreciate life experiences of those different from me, the more comfortable I become with

who I am. In that development, I become a better advocate for all, and I hope, a better human being.

A few weeks ago, I was among Catholic and Jewish congregants who met for a daylong discussion on the reconciliation process for Catholics with Jews. Our discussion took us back thousands of years and more recently to the Holocaust.

That evening, at the Temple in Atlanta, as we listened to a joint Jewish-Catholic choir, my mind wandered to the Bennett Belles and Dr. Cole. What could I say of value to this beloved community?

I even thought of Dr. Cole's words about "differences no longer making a difference." At that exact moment, I opened a Jewish prayer book and found this poem written by Judy Chicago.

It's called "Merge," and the first lines read:

And then all that has divided us will merge...
And then compassion will be wedded to power...
And then softness will come to a world that is harsh and unkind...
And then both men and women will be gentle...
And then both women and men will be strong ...
And then no person will be subject to another's will...
And then all will be rich and varied

To me, that last verse gets to the heart of what we're trying to achieve with inclusion. In ending all forms of discounting, we unleash each of our potentials. We deepen our humanity in the process.

Along those same lines, the great writer Chaim Potok wrote in his marvelous first novel, The Chosen:

"A man is born into this world with only a tiny spark of goodness in him. The spark is God; it is the soul; the rest is ugliness and evil, a shell. The spark must be guarded like a treasure; it must be nurtured; it must be fanned into flame. It must learn to seek out other sparks, it must dominate the shell."

>>>About One Minute to Go>>>

Each of us has the ability to find that goodness, that spark within ourselves and others. By working together, we promote connectivity, a synergy of brains, spirits and energy that we use to enhance our communities, workplaces and individual lives.

The more I understand and open myself to interacting with and learning from those who are different from me, the more I realize that there is so much more in common between than different.

Recognizing our connectedness is going to be even more important as the globe shrinks, as techno-communication and rapid transportation pull us closer together.

If we don't recognize and embrace this fact, we put our communities and our families' futures at risk. *We put humankind at risk.*

So, we have choices to make. In each interaction we have with those that differ in ways that are important for us, we often have a choice.

We can refuse an opportunity to more fully understand one another, or we can *choose to be a beacon of hope* and make this world better for those coming behind us.

The choice is ours to make. I trust you will make the right one.

Thank you for listening ... and allowing me to be with you.

###Bennett-College###

**Remarks by Deborah Meyer,
Vice President and CMO, Chrysler LLC**
*“Beyond Awareness: How Chrysler LLC
is Embracing the Digital Revolution”*
MIXX (Marketing and Interactive Excellence) Conference
The Official Interactive Event of Advertising Age
Crown Plaza Hotel, Times Square,
New York, New York
September 22, 2008 - 9:00 AM

Thank you Randal for that kind introduction... and I really appreciate your asking me to be part of this *important* event.

(Pause)

Good Morning!

It's *a great day* for interacting with colleagues...

As I look out across this room I see partners... people who are contributing *so much* to the New Chrysler... *I appreciate your being here.*

Without strong partnerships it would have been difficult... *if not impossible*... for the New Chrysler to gain the progress that we've achieved over the past year...

(Long Pause)

Challenging Times

It's a bit of an understatement to say that these *are challenging times* for marketers... *particularly those of us in the auto industry.*

The past couple years have been tough... but this spring as gas prices soared...home values plummeted... and credit all but dried up for many middle income Americans... times got even tougher...

And so what's Chrysler's response?

At the New Chrysler... as we embrace a methodology of systems analysis... and continuous improvement... we're gaining efficiencies in *every division* of the company...

These steps are **ABSOLUTELY** critical...But in this consumer-driven business they're *not enough*.

In order to move ahead, we need to create marketing *that captures the imagination*... is strong and inspirational... that taps into the Chrysler spirit of: *we won't back down*.

Yes, it's a challenging time... but it's also a time when we have *a tremendous opportunity* to build something new...

Our task is to dismantle old perceptions and build a new image that is strong and relevant for today's consumers... to prove that we really are listening... we're responding... and we are changing **faster than ever before**.

(Pause)

Today, I'll discuss the New Chrysler's use of media *to engage consumers* as we drive opinion to build relationships and improve outcomes at retail...and how we measure our progress *every step of the way*.

(Short Pause)

Until recently, the auto business and consumer package goods were the two holdouts from the digital revolution... *we've been stragglers in the digital age*.

Our consumers... *those nice folks that buy our automobiles*... have made us change.

In fact... *eighty percent* of new car shoppers go on-line to start their buying process...

So...if an automobile company is going to compete it has to give prospective customers a reason to engage its brands via advertising in all media... and *especially on-line...at the heart of the digital revolution...*

(Short Pause)

And that revolution has pulled us away from the inefficiencies of awareness to *the focused power of opt-in...*

On-line commercials of course are *all about opt-in...* and then there's on line streaming and increasingly relevant frontier of hand held devices... and opt-in...on demand commercials for TV...

And as I say this ... I can almost hear TV viewers from New York to LA cheering...

After years of getting hammered by waves of irrelevant commercials they can pick and choose what advertising they want to see... *when and where they want to see it...*

Call it viewer democracy... *and it's about time.*

And we at Chrysler... are creating compelling advertising content to engage them... when and where *they want* to be engaged...

Moving Beyond Awareness

So...moving beyond awareness... *that's where we are today.*

But whether it was in Detroit...Berlin... or Tokyo...only in the last few years has opt-in been accepted as *a real option* for automobile market strategies...

When I bought my first car, a 1979 Plymouth Horizon ... *stick shift by the way*... white with blue stripes...the process of selling a car was very linear...and focused a huge amount of resources on building awareness.

This marketing model... *which drove automotive advertising for years*... assumed that consumers must go through several steps before... according to *that theory*... they would be “*ready*” to make a purchase.

Building awareness... of course...is the beginning and *the primary driver* of this approach...

Advertisers talked at consumers. Sometimes it stuck... *a lot of times it bounced off*...

And with an overwhelming majority of car buyers now using the Internet... barraging consumers with GRPs to build top-of-mind awareness *is... a big waste... of marketing dollars*.

So today... as the consumer buying process increasingly starts with a search engine... it's accurate to say that... *awareness is overrated*...

When consumers begin they're search by typing in “new car” at Google or Yahoo they're likely to be taken to a third-party or a manufacturer site... Or on their own they arrive at a third-party site such as Edmunds and Auto-trader.com...

And guess what?

All the nameplates are there.

So, in fact...top of mind awareness to *is not* needed to make *that list*.

But what's important is positive opinion. *That's what's going to put us on the short list*.

So... in order to increase marketshare the primary objective of our brand messaging is to improve opinion through web-based engagement...

(Short Pause)

Web Driven Communications Strategies

Today, think of it this way, the consumer is actually acting like an energy vortex...so whenever and wherever ...they determine they're ready... and the vortex opens for a particular kind of information.

If we respond... and *pour the right information into that vortex*... in whatever stage, channel or medium they're at... *it's going to work for us.*

At Chrysler...we're aligning our **communications objectives** to meet the consumer's mindset and the context in which they are viewing...*as opposed to us telling them* what *we want* them to hear...and when *we want them* to hear it. .

Still a lot of advertising remains tied to awareness... but in our markets...people are already aware of our brands... and opinion *is what really matters.*

So in order to improve our market share... *influencing opinion is the key for us.*

And with opinion people *are* at different layers...with different moments in time when they are open to being influenced... *and there's no one cookie cutter way to get it done.*

(Short Pause)

New Rules of engagement

In this emerging landscape, the rules of engagement *have CLEARLY changed*... and communication needs to be customized to the *consumers'* mindset and context to achieve marketing goals.

And... we don't try and sell them a deal *when they want to be entertained...or try to entertain* when they want information.

Once we've engaged them... we communicate product advantages and offer competitive comparisons.

When they are ready to make a buying decision there are tools to promote their moving on to retail and providing leads to our dealers.

(Short Pause)

We're using this digitally-driven approach for just about all products... and have seen great results across the board.

At Jeep.com... we've come up with another way to tap into the Jeep owner's immense enthusiasm...

On their own Jeep enthusiasts formed groups at Yahoo...Facebook...Myspace...for example, they've uploaded more than 235,000 photos and text links at Flickr...

We've linked all these sites on Jeep.com's Jeep Experience page ... to facilitate Jeep fans engaging others as they send word of mouth and strong positive opinion across the web.

(Short Pause)

For a different demographic we created a custom Chrysler brand campaign on ABC.com...

Primarily focused on young women who go to ABC.com to dig deeper into their favorite TV shows including Ugly Betty...Grey's Anatomy...Desperate Housewives.

Rather than just inserting a 30 second TV spot... we created truly interactive content.

Each unit is a rich media micro site...including vehicle information and shopping tools...

And our ads are achieving up to a 70 percent engagement rate... which makes it one of our most successful on-line video placements.

(Short Pause)

So...we're doing a lot with all our brands. Our most recent effort, the launch of the all-new Dodge Ram, is taking us to another level entirely.

The RAM Launch

Right now we're launching the game-changing 2009 Dodge Ram 1500 pickup truck...

For years Dodge trucks have been leaders in innovation and durability... *trucks people could really count on.*

But when our engineers came together for the Ram 1500 they outdid themselves... they built one of the most researched vehicles in our history...a truck that's not *just good... but by far the best... out there...*

And the critics are applauding...

In fact... Popular Mechanics on-line cheered..."Dodge has created *the smoothest riding* full-size pick up yet... that ride quality is a lot closer to a car..."

Edmunds.com praised.... "the new Ram, improving ride and stability while miraculously preserving the payload and towing capacity of the 2008 model."

While Automobile on-line observed..."Dodge has the most comfortable half-ton on the market, and there's absolutely no trade-off in capability..."

(Short Pause)

The Ram is a *game-changer* and

We need *game-changing* marketing...we recruited agency partners to meet our needs...

BBDO and Organic answered our call...and in every phase of the launch we've benefited from their skills and innovative learnings...

(Short Pause)

Again we're going *way beyond* building awareness...

As we developed a complex launch strategy that can enter the vortex of a variety of consumers, we've focused on utilizing opt-in and promoting strong positive opinion.

We identified five customer macro targets... all with individual needs for different features and emotional motivations.

Diverse groups of customers want to use a truck in different ways -- for their job... to haul their recreation gear... to do weekend projects... and for all-around family transportation.

And then there are the different features and content that this aerodynamically best of breed Ram truck offers – new crew- sized cab...all new interior...the first-ever Ram Box... increased fuel efficiency... and first-in-segment coil-spring, five-link rear suspension... that we need to communicate...through a variety of media.

Combine all that into one launch... and it gets *incredibly complicated*.

As a matter of fact it's so complex that we've created an engagement map that aligns and helps us track all activities and the anticipated outcomes at a quantitative level to drive visits... buzz...leads... and ultimately sales.

Pretty detailed...

[Say with a chuckle]

Not the kind of map you pull off Mapquest...

(Pause)

Webisode: Attracting consumers with Content

The advertising, and other approaches to engagement run the gamut from print ads full of facts and technical details that traditional truckers want... to entertainment and attention grabbing theatrics of the Ram Challenge.

Produced by director Tony Scott, famed for high-energy action adventure movies like Top Gun – Ram Challenge becomes a first-of-its-kind, long-form reality show, wrapped like a Hollywood action film.

A series of five webisodes...featuring challenging truck competitions between hard-working American heroes ... are *at the heart of our Ram launch campaign...*

These webisodes **are not** about star power...The opt-in for users *is the use of local heroes...* Gritty... authentic... *and largely self-sufficient people:* real truck users... cowboys... construction workers... military... and firemen... **no stars.**

Folks Dodge owners can relate to... *people who could easily live a few houses up the street...*

We built a *tough*, demanding obstacle course out in the desert. *It's not a Hollywood set,* but a *challenging course....* that's authentic *as the men that are competing in these Ram trucks.*

And...well let me show you...

These Ram Challenge webisodes *are a proof-point* for the truck's *top-line* innovation...

In *every scene* these guys *put it to the test.*

Cut from actual webisode footage, the TV *commercials will drive people to the Ram Challenge.com site...*

As viewers see the product tested under the most trying conditions...these TV spots educate...And the Ads bring a real strong call to action... to pull users to RamChallenge.com where they'll root for their favorite team...

During the launch, all television...print...on-line...and dealer advertising will pull consumers to the RamChallenge.com... which, by the way, is housed at Yahoo...

And why Yahoo?

Because Yahoo, on any given day can have as many views as a top TV Network ... and we'll leverage those eyeballs to attract more people to the Ram Challenge site.

The Webisodes deliver a TV entertainment experience with *contextually relevant* content that exposes users to product... *and subtly influences opinion....*

And if a visitor chooses to learn about the product... *we've got that too...*

Instead of just going for awareness, we're actually pulling people in *as we drive engagement...* and get into their mindsets.

(Short Pause)

We've just put a Ram Challenge webisode teaser on-line and the TV spots debuted last week...

There's also a community involvement available at the microsite so visitor can post comments... share their opinions with friends...and all of that will promote more buzz.

As we entertain them, they'll learn about the truck's strengths...*and perhaps become intrigued with the RAM brand.*

That's our opting in... making sure it's *relevant* to truck owners... or people who may want to own a truck.

(Short Pause)

The Dodge.com Connection

We improve opinion through brand engagement and entertainment on RamChallenge.com...and promote product...But we move visitors toward purchasing *only when they are ready...*

Yet, when a visitor moves from the microsite... or from linked sites across the web...*we're ready.*

Whether it be at Dodge.com or another Chrysler site we're optimized for shopping... we incite them to complete particular activities that correlate with moving toward increased sales...

These activities...include... inventory searches... build and price for configuring...locating dealers and submitting leads...

And when they submit a lead...it goes direct to their nearest dealer...

(Pause)

Web: Analysis/Measurements

At Chrysler we scrutinize relentlessly because in this marketplace every dollar we spend counts at least three times... if not ten times as much as did before... Our marketing team has to absolutely guarantee that every dollar pays off.

And as a result... we quantify *everything* we do.

The Web has become a leading indicator not just about what's happening on line... it's about what's happening across the board.

We constantly evaluate the effectiveness for all our media... not just our own sites.

And whatever we do... both on and off-line... we constantly ask is this driving people to retail?

And if we're not achieving anticipated viewer rates we improve it to better meet content and context needs of our visitors.

We track the number of visits converted into leads.... And we modify where we put different transactional links on a site in order to increase the number of leads submitted.

For example, we recently noticed that users weren't filling our get-a-quote forms as often as we'd anticipated.

With a little follow-up we found out why: too many steps in the process. And then we moved the link to a better place on the site.

No major costly overhauls.... *Just two simple changes...*

And the result?

In just one week we saw a ten percent increase in the number of users completing forms...

And we optimize in small, incremental ways... and on a big scale....

On the Dodge Journey crossover launch we developed seven key product messages... which we optimized throughout the campaign to bring us better results... And the strategy worked.

With Ram we've taken it to another level... We've increased the number of core messages to 30... *And this gives us even more options.*

When one message isn't working as well as we anticipated we can replace it with five more relevant messages that we've already prepared...*and, therefore pull significantly more viewers on to retail...*

(Short Pause)

Tracking of Leads

As we drive leads to retail dealers, we're building *a culture of accountability* to make sure we maximize the potential of these leads.

We evaluate how quickly dealers react to... and turn around leads... And then give feedback so they can improve their performance.

(Quick Pause)

In the past... dealers might not have wanted to hear what the marketing department *at corporate* had to say about how they were using leads.

But that's not the case today.

One of the best things about being in a challenging marketplace is that silo mentalities melt away and people become more open to change...

(Short Pause)

The Customer Advisory Board

As the New Chrysler moves forward meeting our customer's *constantly evolving needs remains at center of all our strategies....*

Earlier this year... we created a ground breaking Web-based Customer Advisory Board to build relationships and promote the flow of innovative ideas...

By using on-going two-way dialogue the CAB – as we call it-- provides customers with a direct line into the company.... And invites them to be part of our transformation.

With a majority of the more than 1,000 advisory board members actively engaging in communication we're harnessing ways to develop and refine new products and campaigns. And we're creating our best word of mouth advocates, who, through their own social networks are sharing news about what we're doing.

In fact, if we search CAB on Google, we get 42 thousand results. *That's how we achieve scale.*

(Long Pause)

(Close>>>About One Minute to Go>>>)

As the economy improves... **and it will**... the digital revolution will continue to expand and promote **major change** in all markets.

And in leaving awareness behind and embracing the potential of the digital world... we gain a clearer map of the consumer neighborhood that will more quickly and efficiently give us access to buyers...

When it's done right...this relatively new digitally driven approach to marketing is complex...nuanced...**and 24/7.**

Success demands us to **create opt-in content...that fosters positive opinion...** but succeeding also requires us to constantly measure... to quantify... to optimize... and when needed deconstruct our own creations...

While it certainly is a challenging time... **it is also perhaps the best of times for a marketer...**

Never before in our profession have we had so many tools to work with... **And never before has there been a greater need for our services...**

It was a pleasure to speak here today. Thank you.

###MIXX END###