

It is difficult to imagine Andy Pearson as a boardroom denizen and fast-food-empire czar when you catch him at home. This renowned collector of Pre-Columbian art is soft-spoken, relaxed and reflective. "My career has been serendipity," says a smiling Pearson. "My advice is don't plan. Just do what you're doing well."

Like Louis XIV, Andy Pearson has had a long reign. After 16 years at McKinsey and Company, Pearson jumped to become PepsiCo's president and COO under Donald Kendall. Then, 60 years old and still one step away from the top spot he left to spend the next decade as a tenured professor at Harvard Business School. While at HBS, he took

history." "At least three directors, and I don't even remember which ones, said virtually at the same time, 'If only we could get Andy...,'" Thomas recounts.

In fact the management of Yum! was to be a duo. David Novak, a young PepsiCo standout who was running KFC, was to be Pearson's second-in-command, and it was Pearson's mission to groom him for the top job within five years. Even together it was a huge undertaking.

Long neglected by PepsiCo senior management, the \$20 billion business comprised more than 30,000 stores flung across 26 countries, 16 of which had money-losing operations. It came with \$4.5 billion debt and was made up of three separate divisions that hated each other: KFC, Pizza Hut and Taco Bell.

ANDY SEPARATES THE MINUTIA FROM THE REAL ISSUES FASTER THAN ANYONE I'VE EVER KNOWN.

SANFORD WEILL • CHAIRMAN • CITIGROUP

a few "summer jobs" at leveraged-buyout firm Clayton, Dubilier and Rice. When CD&R asked him to become an operating partner, he cut the ties with Harvard and joined up full-time. Along the way, Pearson held directorships on 14 listed company boards including PepsiCo, Citigroup, TWA, May Department Stores, Warner-Lambert, Uniroyal-Goodrich, Hasbro, Kinko's and Lexmark.

Then, at the age of 73, Pearson was tapped by the PepsiCo board to take its Tricon spin-off public and run it. He had already retired from the PepsiCo board in 1996 and therefore had not been part of the deliberations leading to the spin-off of the restaurant businesses. "I would have recommended against it," Pearson asserts. "They weren't bad businesses, just badly run." Board member Franklin Thomas, former president of the Ford Foundation, was one of the decision makers and calls the discussion about management of the new company "one of those simultaneous moments in

Yum! has subsequently acquired A&W and Long John Silver. "This business isn't in good shape," Pearson recalls thinking. "We better have a board that knows what it's doing." With this characteristic clarity of vision and a vast network of business contacts, he quickly put together a dream team.

"We needed more than big names, we needed big ideas," he states. From the finance world he scored John Weinberg, senior chairman of Goldman Sachs, and Jamie Dimon, then Sandy Weill's presumed successor at Travelers, now president and COO of JPMorgan Chase. He got retail giants Ken Langone, co-founder of Home Depot, and Robert Ulrich, CEO of Target Corporation and Target Stores. That pair turned out to be an invaluable but combustible combination, particularly on compensation matters. "They are oil and water. I literally used to plant myself between them!" Pearson says, laughing. Added to the mix were sages Sidney Kohl of Kohl Food and

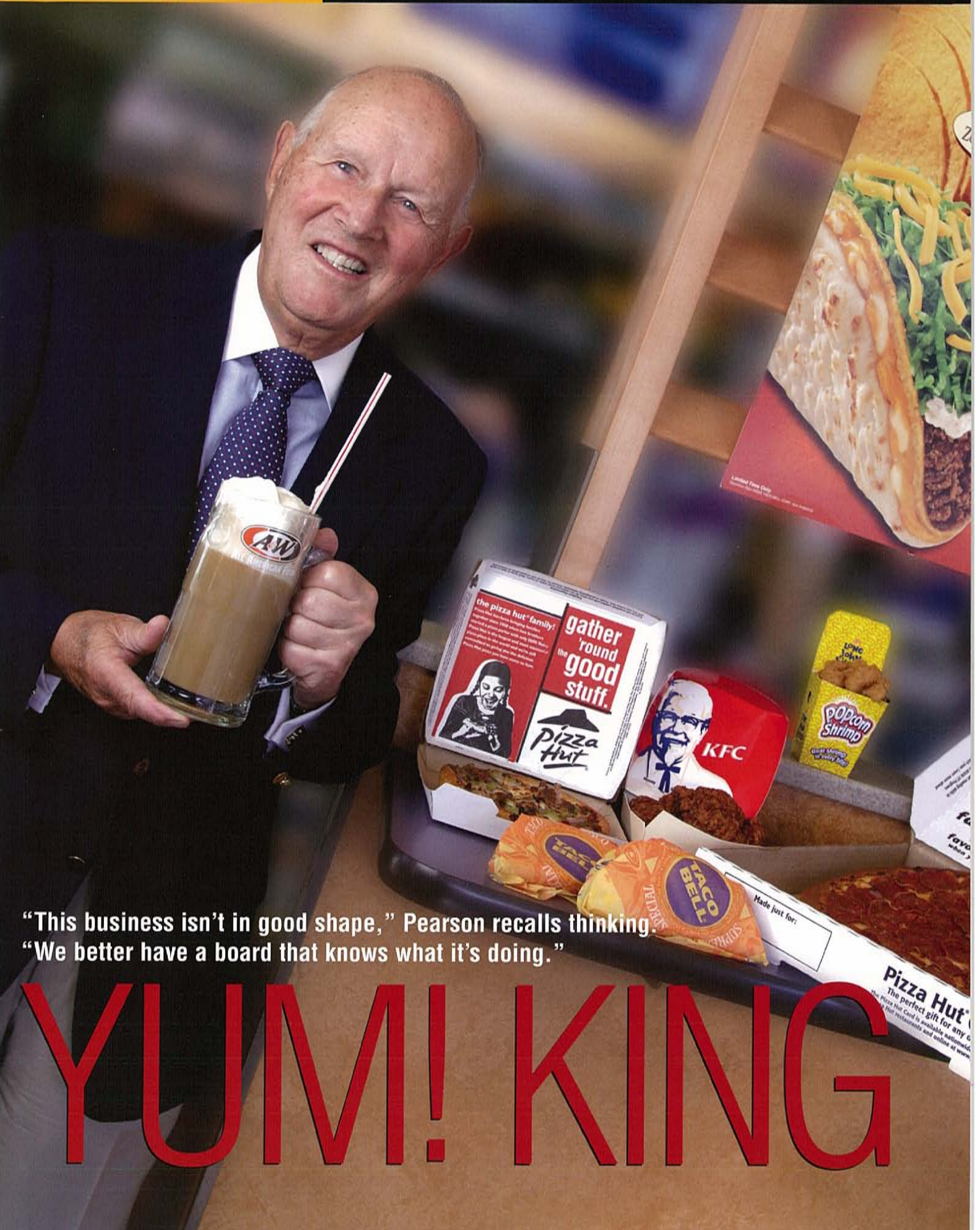
Department Stores and D. Ronald Daniel, the longtime head of McKinsey. "My wife suggested Massimo Ferragamo," says Pearson. "He has brought judgment and sex appeal!"

Pearson and Novak worked hard on relationship building and vision sharing, both in the boardroom and right through the management team. Pearson made sure everyone had "skin in the game," right down to store manager level. Directors took their compensation in deferred shares. As chairman and CEO, Pearson was required to own stock worth seven times his salary, and so it went down the line. Mandatory share purchase (albeit at preferred rates) was new at the time and is still unique in the industry for store managers. But Pearson feels it is critical, particularly for working across divisions. "I wanted people to build a better company, not just their own thing," he insists.

Together Pearson and Novak crossed the country and the world, visiting store after store after store. They closed hundreds of them, even pulling out of whole countries that were dragging them down. They shifted the franchise profile from 45%-owned to 25%-owned, reducing overhead and risk. They intensified development in promising markets like China, where KFC is now the biggest restaurant chain, and Mexico. They set up a Partner's Council, Marketing Council and Operations Council to get more leverage from leaders in all the business units. Soon all the chains were using Taco Bell's successful product development process and Pizza Hut's skill at recycling product news.

Throughout it all, Pearson never lost sight of "job one": showing Novak how

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YUM! KING

BORN: June 3, 1925,
Chicago, Ill.

EDUCATION: B.S.,
University of Southern
California; M.B.A., Harvard
Business School

CAREER HIGHLIGHTS:
Chairman and CEO, Yum!
Brands; operating partner,
Clayton, Dubilier & Rice;
tenured professor, Harvard
Business School; president
and COO, PepsiCo; senior partner, McKinsey & Company.



HOMETOWN: Greenwich, Cn., North Palm Beach, Fla. and now Santa Barbara, Ca.

FAMILY: Married to Joanne over 50 years; one daughter; two grandchildren

MOST MEMORABLE SUMMER JOB: Shoe salesman in high school

BEST VACATION IN THE PAST FIVE YEARS: Taking grandchildren to southern Africa

BEST BOOK READ IN THE PAST YEAR: *The DaVinci Code*, by Dan Brown

FAVORITE QUOTATION: "There they go. I must hurry and catch up for I am their leader."

SOMETHING PEOPLE WOULD BE SURPRISED TO KNOW ABOUT ME: "My identical twin brother and I are married to identical twin sisters. We met on a blind double date and married at a dual ceremony one year later!"

MOST ADMIRER PERSON: Marvin Bower, past managing director of McKinsey, widely considered the founder of professional managing consulting

CURRENT CORPORATE BOARDS: Yum! Brands

to run a major corporation and deal with Wall Street. Both men agree that he let Novak lead the company from the very start, and even handed the CEO job over to him a year earlier than planned. Novak became CEO in January 2000 and chairman one year later. Pearson stayed on as director and founding chairman. But ever the student, Pearson credits Novak for the lesson of a lifetime. "The recognition culture is something I learned from David," he says. "I have never seen anything so powerful." The guy who 20 years earlier was dubbed one of the 10 toughest bosses in America by Fortune magazine says he finally learned how to be tough without being nasty. Yum! board member and longtime friend and associate Robert

Holland recalls meeting Pearson for lunch at a Pizza Hut in Detroit. "I watched Andy become that real person at the bottom of the suggestion box," Holland relates. "He remembered hourly employees' names, was engaged and connected, practically cheerleading."

Yum! is now the leader in every category in which it competes: pizza, chicken, Mexican, seafood. It alone has made a success of multi-branding (two or more brands under one roof) and trails only McDonald's in overall fast-food sales.

Pearson's success at Yum! does not surprise Citigroup chairman Sanford Weill, who first recruited Pearson to his board at Commercial Credit when it went public in 1986 and generated \$35 million

profit. Nineteen years later and eight years past "mandatory retirement," Pearson stepped down from Citigroup's board, when after-tax profits were \$20 billion. Asked to reflect on Pearson's contribution over the many years at his table, Weill says, "Andy separates the minutia from the real issues faster than anyone I've ever known," and calls Pearson "instrumental in the conclusions that have led to my retirement."

Pearson reflects on the first of those conclusions. In 1999, the Weill-Reed power-sharing arrangement that had been created at the merger between Citibank and Salomon Smith Barney was deteriorating and John Reed was proposing the board fire them both and look for an outside candidate. Pearson attended the resultant board meeting via videoconference at a Citibank office in Singapore. The conference began at 1 a.m. his time and went on for over seven hours. "The first thing I said was that Reed's proposal was nuts," states Pearson, who is well known for calling a spade a spade. "You've got two guys who have proven they can do the job, just not together." He saw that "one guy clearly didn't want the job and another wanted it more than life itself," and concluded: "It was only going to work with Sandy." With that conviction, he steered the meeting through the night to its logical conclusion.

Then came the challenge of grooming someone to succeed cult figure Weill. It was a long, risky and infinitely complicated process, and Pearson, along with Frank Thomas, was in charge. "Sandy wanted to make [Charles] Prince and [Bob] Willumstad co-CEOs. He was worried that Bob wouldn't work for Chuck," Pearson recalls. Once again, he asked the tough questions and took a potentially unpopular stance against the co-CEO plan. "He is fearless," Thomas says with admiration. "He says exactly what he thinks in a world where most hesitate," adds inside director Robert Rubin, vice chairman of Citigroup and former treasury secretary. "We waived the age limit for him several times. I wish we still had him." O