

Joining the New Team



Office Depot's
Steve Odland
personifies the
company's slogan,
"taking care of
business," as he
works to transform
the company from
the outside in.

by Tricia Bisoux

As a former executive with companies such as Quaker Oats, Sara Lee, and AutoZone, Steve Odland has had plenty of experience adapting to new corporate cultures. Since March 2005, when he became the CEO of Office Depot, he has quickly acclimated to another, bringing a fresh viewpoint to a company looking for a new direction.

That new direction has come quickly for the company, which is based in Delray Beach, Florida, and has 47,000 employees working in 23 countries worldwide. In the last nine months, Odland has cut costs drastically at the office supply giant, closing 27 stores and halting the U.S. operations of its Viking Office Products brand, which the company acquired in 1998. He reassigned the company's chief financial officer, Charles F. Brown, as president of international operations. Odland then hired Patricia McKay as the first female CFO in Office Depot's history. He has piloted a new store design and plans to further develop Office Depot's global presence, providing the supplies to fuel burgeoning enterprise in Asia, Latin America, and the Middle East.

Coming into a company from the outside can be one of a new CEO's biggest challenges, says Odland. "You know you need to make a transformation, to change the organization's performance," he says. "At the same time, you don't want to foul up everything that's great about the company." It's a balancing act that requires trying to reshape a culture while simultaneously trying to fit into it, he explains.

Odland received his BBA from the University of Notre Dame's Mendoza College of Business in Indiana and his MBA from Northwestern University's Kellogg School of Management in Evanston, Illinois. Since graduating from business school and rising through the corporate ranks, Odland has become one of business's most vocal CEOs. As a member of the advisory council for The Business Roundtable's Institute for Corporate Ethics, Odland is especially passionate about developing a core ethical infrastructure in business while keeping intact the sense of risk, reward, competition, and innovation that makes business great. He also is a prominent advocate of the Roundtable's S.E.E. Change Initiative, designed to encourage companies to embrace sustainable business practices. At the core of S.E.E. Change, which stands for "Society, the Environment, and the Economy," is a belief that sustainable growth and environmental awareness are good not just for the world, but for a company's financial health.

"We believe in 'doing well by doing good' and are committed to environmental stewardship and conservation of natural resources," Odland says in an official statement. "Our commitment to S.E.E. Change is consistent with our environmental strategy, which is values-based and market-driven, and can be summed up in three words: responsible, transparent, and accountable."

Odland knows he has expectations to live up to and obligations to fulfill—just as business students do as they face their futures, he says. CEOs and business students alike must be poised for rapid change, prepared to innovate, and passionate about the advancement of business. Moreover, at a time when some people have lost their trust in business, both CEOs and business school graduates must actively advocate for the positive impact business has on the global economy.



Steve Odland (left) accepts a jersey from a representative of the Florida Panthers professional hockey team.

When it comes to earnings, I think management teams need to have a bit of **humility** about results. We've seen it over and over again. When things are going well, **everybody's brilliant**. When things aren't going well, **everybody's stupid**.



Many experts are discussing the pros and cons of hiring a CEO from the outside versus hiring from within. What would you say are the central challenges—and advantages—of entering the CEO's position from outside a company's ranks?

I do think it's much preferable to hire CEOs—and frankly as much leadership as possible—from inside a company. Those who have been part of building a company over a long period of time already understand its history, culture, and people. They know the resources, and they typically know the right opportunities for that company better than anyone on the outside. When boards look outside for CEOs, they typically do so because they are looking for a transformation, and their internal succession plan just doesn't have anyone they feel is ready. Companies really do need to do a great job of succession planning so that they'll have people ready when the time comes.

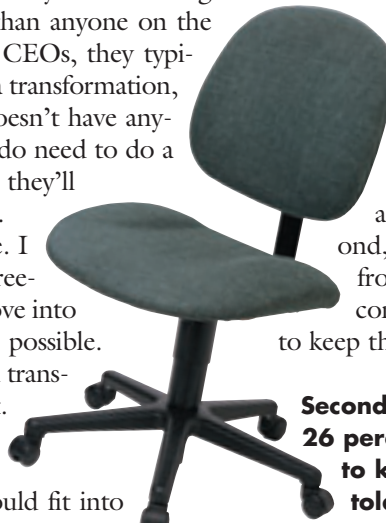
My strategy has been to try to merge. I think of it as if I were merging onto a freeway. I've tried to get up to speed and move into the culture with as little disruption as possible. Some CEOs may think, "I can go in and transform the culture," but it's not like that. It's you, and then it's 47,000 people and the long history of the company. Before I took the job, I made sure I could fit into this culture and be successful.

That said, there are certainly advantages to coming in from the outside. Someone from the outside sees everything with fresh eyes. He can add value by looking at the company in a completely different way.

You've worked in a variety of corporate cultures. Most business students expect to work in several different corporate cultures over their careers. What do they need to know to make these transitions effectively?

Corporate cultures differ in many ways. They operate at different levels of formality. They use different means of communication—some want to see information in writing, some are meeting-oriented, some want to use e-mail. Some companies focus on strategy, while others focus on execution. Some companies are cautious, while others are risk-oriented. There are probably dozens of variables.

Business students need to think about their own DNA, and they must learn that they can't change DNA. If they're fundamentally entrepreneurs, for example, they'll want to move fast and make decisions on little data. They shouldn't work in a culture where in-depth analysis is required to make a decision.



Since you were brought on board at Office Depot, you've made many changes, including the pilot testing of a new store design called the Millennium2 (M2). Its success is still unknown, but if business students were studying this strategy today, what do you think they would learn about choosing a new direction for a company like Office Depot?

We have 1,000 stores today, the prototype of which was designed 20 years ago. We're trying to modernize it to make sure we're doing everything we can to stimulate shopping in today's environment. The M2 prototype has a different layout, different signage, different fixtures, and different ways of presenting product, which we think will stimulate higher sales.

What students can learn from M2 is, first, how to test, experiment, and improve on the return of an idea before rolling it out in 1,000 stores; and second, how to differentiate a company like Office Depot from its competitors. To be successful, we need to stay consistent with our past, but we also have to take steps to keep the concept fresh.

Second-quarter earnings for Office Depot jumped 26 percent last year, but you warned stockholders to keep their expectations in check. You've also told Wall Street that the company won't be announcing its projected earnings in the future. What were your reasons behind both statements?

When it comes to earnings, I think management teams need to have a bit of humility about results. We've seen it over and over again. When things are going well, everybody's brilliant. When things aren't going well, everybody's stupid. In fact, neither case is true. We were just trying to express that we had a great quarter, but that we were lucky in some areas.

It's interesting how little we understand about why things go well for a company. Most analysis is conducted on things that fail; but when things go well, people just assume it's because of great management. In fact, management doesn't change its quality from one quarter to another. We need to communicate, internally and externally, why things worked—whether it's the competitive situation or we just got lucky. It's important that people understand that.

In addition, companies have traditionally given the numbers for their projected earnings and sales. We don't do that, and I think that policy leads to better corporate governance. Once those projections are made, too many people are chasing the numbers they've promised. If the CEO has said, "We're going to increase revenue by 15 percent," and the company comes up

In fact, neither case is true.

short, management often turns up the heat. That can cause people to behave badly and do the wrong things. In our case, we tell the Street that we will do our best every day to optimize our shareholder value and do it in the right way. Then, the numbers will be what they're going to be.

In your roles as chairman for The Business Roundtable's Corporate Governance Task Force and as a member of its Institute for Corporate Ethics, what do you think are the most important issues you have to tackle?

Today, we're still seeing the backlash from corporate scandals, with people calling for more and more regulation. I think some of these improvements in corporate governance are good, and I've supported them in my role on The Business Roundtable. On the other hand, we have to make sure we don't slay the goose that laid the golden egg. There are about 15,000 public companies in the U.S. alone, and the scandals over the last few years have involved only a handful. It's unfortunate that a few bad apples have spoiled the reputations of everyone.

Society is becoming so litigious—here in Florida there are radio commercials from attorneys' offices saying, "If you've lost \$1,000 in the stock market, call us today, and we'll sue for you." It's tough for a company to create wealth if it's constantly in fear of being sued. Take the drug industry. Merck lost its first round in the case about Vioxx last year. Every drug has its risks, but the Federal Drug Administration was set up to view the evidence and weigh the risks. If every FDA-approved drug is still subject to litigation, and a company like Merck risks losing a \$256 million jury trial when an individual is affected, there will be no new drugs. There will be no advances in medicine. These are the unintended consequences to rampant regulations and judgments.

Business students need to understand how important it is that we all self-govern. We must keep the public's trust in our system. We need to make sure that good people prevail and bad people are not allowed to bring about these scandals.

Not all students will work on Wall Street, but many will be executives in publicly traded companies. What skills do business students need to navigate the responsibilities of working for a listed company?

At the risk of stating the obvious, I think it's very important for business students to understand why there are publicly traded companies. If all companies were private, wealth would be concentrated in very few hands. We would be at the discretion and whim of the very few people who owned private

companies. Public companies allow broad ownership of the private sector by the general population.

So many people keep saying, "We want the government to do something for us." But that statement illustrates a lack of understanding of economics. Government is funded by the private sector, which makes up 85 percent of the economy. All wealth—whether it's in pension plans, Social Security funding, or other retirement accounts—is created by the private sector. The ability to invest in the private sector through public companies brings capital into the marketplace and allows wealth to be created. Business students may not understand that context of the roles these companies play and the roles they will play in fueling our economy.

What's the danger if they fail to understand that context?

They won't understand how important it is that companies be allowed to succeed and fail. The simple fact is that if some people didn't lose money in the marketplace—if there weren't the possibility that stocks go down—there would be no opportunity for anyone to make any money in the stock market. For wealth to be created, wealth must also be lost. Companies must go bankrupt; there must be winners and losers. It's that balance that drives the dynamic of competition. It's that balance that drives companies to innovate, to create new things, new inventions, and new technologies.

Business students need to understand this world and the nature of wealth generation. They need to understand why business is so important. Then, they need to be more than just businesspeople. They need to be advocates of free enterprise.

How would you advise business students to prepare for their careers?

Business school—both undergraduate and graduate—provides a foundation, but business students will need to build the structure on top of it. On-the-job experience is required, so that you understand where your best fit is from an industry and cultural standpoint. People can be highly successful in one company, if they're a cultural fit. They can be very unsuccessful in another company in the same industry if they're not.

Students can follow many different paths in business, but they need to find careers at which they can be exceptional. They can be good at many types of work, but it's essential that they find what really excites them. Business is a marathon. They'll have to get up every morning and go to work from the beginning of their careers until they retire. They need to make sure they're inspired by it. 