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Graziadio School of Business and Management

Dean's Executive Leadership Series - 2011-2012

Transcript of Q&A with Richard Goudis, Chief Operating Officer, Herbalife

About DELS: The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen or subscribe](#) to the podcasts to hear their views and insight on the current challenges and opportunities facing the business community.

Start

Rick Gibson: Hello, and welcome. My name is Rick Gibson. I am associate vice president for public affairs here at Pepperdine University. I am joined today by Dr. Linda Livingstone who is the Dean of the Graziadio School of Business and Management. Welcome, Linda.

Linda Livingstone: Well, thanks, Rick. It is a pleasure to be here today and we are looking forward to the series this year.

Rick Gibson: Well, as I have been thinking about it, this series, I guess, is in its ninth year?

Linda Livingstone: That is correct. It is really hard to believe we have been doing it that long but it is been an amazing series with some really fabulous speakers through the years.

Rick Gibson: It really has been and I have just been struck by some of the folks that have been a part of this program. And as I look at the lineup that you have this year it is just a very impressive thing to offer your students and our listening audience. Tell me Linda, what is so important about a series like this for your students at the Graziadio School?

Linda Livingstone: Well, we think this is really important on several levels. First, it really exposes our students to significant business leaders. And so they are able to attend these events, listen to these

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speakers, and really think deeply about what they are learning in class and how that really plays out in the real world. But I also think these individuals bring not just sort of the business perspective, but they also often times in these events, share some about the personal side of their life and how they integrate that with what they do professionally. So it really does help the student see both the personal and professional side of some really successful business leaders around the country and around the world.

Rick Gibson: Yes well, certainly it is really great access to some of these great minds that are in business. Well, tell us about today's speaker, the one who is going to kick off this year's series.

Linda Livingstone: Well, we start our series this year with Richard Goudis, who is the chief operating officer of Herbalife. And I think this will be interesting on a couple of levels. I mean clearly, there is a lot of health conscious people out there and a lot of concern about what we eat and how we live our lives. And so I think that piece of it will be rather interesting. But Richard was chief financial officer when Herbalife went public. So from a sort of an organizational development and the growth of a company he will be able to speak to what it was like to take that company public and overall their worldwide operations and human resources and information technology. So just from an operating perspective of a large global company I think we'll learn a lot from his experiences.

Rick Gibson: Well, we really do look forward to your conversation with Richard. So let me invite our listeners just to sit back and relax and to enjoy this interview with Richard Goudis.

Linda Livingstone: Today, we are here with Richard Goudis, who is the chief operating officer of Herbalife. Richard, we are so glad to have you here for the first of our Dean's Executive Leadership Series events for the year.

Richard Goudis: Thank you very much, Linda. It is a pleasure to be here.

Linda Livingstone: Richard, you have been with Herbalife since 2004 where you started as the chief financial officer and now you are the chief operating officer. Tell us a little bit about Herbalife. I am sure some of our listeners are very familiar with the company, others may sort of have heard of it but not know a lot about it. So tell us a little bit about Herbalife and then kind of your path to the position that you are in now at Herbalife.

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Richard Goudis: Sure. Briefly, Herbalife started in 1980 here in Los Angeles, an entrepreneur who had a passion and a commitment to help people lose weight. So it was sort of ahead of its time. But it grew from 1980 through 2000 to over \$1 billion. And unfortunately, he had an untimely death at 44 years old, which led to a lot of turmoil in the company – five different CEOs between the founder and the person who is our CEO today, Michael Johnson. Michael was recruited in by some private equity folks who had taken the company private. Michael then built his team and I was part of that team. I joined the company in 2004 as a CFO with the intent to take the company public, again. The intent was to take it public in 12 to 18 months. We wound up taking it public in about six months after I joined.

Linda Livingstone: Wow, we will talk about that a little bit later.

Richard Goudis: So it was trial by fire for sure. But, I think, the way for people to think about Herbalife is we really sit at the intersection of health and wealth. Health is very important. People in mature markets like ourselves developed markets, want to live as healthy as they are today for the rest of their life. Obesity is a global epidemic going on around the world and plaguing many societies, putting extreme cost pressures on many large governments. And as I travel around the world, we operate in 78 countries, there is obesity in markets that you do not think that there is obesity. China, for example, five percent of the population is obese which is shocking to us.

Linda Livingstone: And that is a lot of people if you think of five percent of that population.

Richard Goudis: Absolutely. And then on the flip side is our business model as a direct seller. We go to market through individuals, if you will, nonemployees. So the opportunity today, not only, in developed markets like ours, but in emerging markets for people to earn a little extra income, a fulltime income with their same language and skill set is extremely important. So we really feel like we are at this sort of Camelot, as we call it, with the intersection of health and wealth.

Linda Livingstone: So tell us a little bit about your path to Herbalife, just in terms of your personal sort of leadership path before Herbalife and then since you have been at the company?

Richard Goudis: Sure. I look at my career and I just think I have been very blessed. I have had great experiences throughout the entire time, great mentors that sometimes I did not know it, but were pulling me along, or pushing me along. But effectively, it started back with an accounting degree at the University of Massachusetts. I had gone to school on a wrestling scholarship and it brought me from Long Island to

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Massachusetts. Graduated from UMass and tried Wall Street and found out that I did not like the cutthroat environment of Wall Street. And then I went to work at United Technologies in their financial management-training program at Pratt & Whitney. And that is really where I will say I started my foundation along my career path. So I went through a rotational program in accounting. Built from that into financial planning and analysis, again, my first mentor in my life kind of plucked me off the training program seeing this young, maybe talented I do not know. I think people thought I was more talented maybe than I was and took me off the training program early into the financial planning and analysis where sort of all of the hotshots and very analytical folks were. And that gave me rise in the company. It gave me exposure to a lot of people who then became senior executives throughout the corporation. I rose from being a trainee to a staff to an analyst. And then a few years later I was actually asked to move to Connecticut and run the financial management-training program, which was really my first human resource exposure. So it was Pratt & Whitney's attempt to groom me, get me out of hardcore finance and groom me in what it takes to recruit talent, to retain talent, performance reviews, and mentor young people. At the same time, I worked throughout the politics of the organization of people wanting that talent and trying to steal the talent, etcetera. So that led me to my first leadership role back in finance in a turnaround situation at an overhaul and repair business. It was historically a warranty shop and it was changing to a higher margin, aftermarket shop. So I went there and it was a great turnaround from an employee standpoint and a business. That led me to other assignments throughout Pratt & Whitney, again, all moving up and really by mentors pulling me up. I left Pratt & Whitney for a great opportunity with a company called Sunbeam, a small appliance maker. About a year later, a guy named Al Dunlap fell into my life. I like to tell people I was 6'4" and had black hair at the time. And Al, at the time, his nickname was chainsaw Al. And like with anybody, you can learn a lot from anybody good or bad. And about a year-and-a-half to two years after he joined the company I left the company and sort of published and written what happened. But we did a lot of great things, but also there was a lot of bad and it was sort of the time when you gut check your values. What is important to you in life? I moved on and I found myself as the VP of finance and investor relations at a Nasdaq 100 company called Rexall Sundown, a nutrition company. I love nutrition. I rose from that position to the chief operating officer and then we wound up merging with GNC and ran those two companies. We sold that company and I landed my way towards Herbalife. So that is sort of the career path, if you will.

Linda Livingstone: An interesting path from aerospace to wellness and health and healthy eating.

Richard Goudis: Yes, but I think the thing with me, every area I was, I loved the company. I grew up in the aerospace business. My dad was in that industry. So I just loved it and I had a passion. I was a real shop rat. One of the reasons I think I am here is when I met Kay Rosen. I had mentioned one time that I flew all the way to China just to meet with somebody on an investment. And I got on the plane that next night and flew back. And she was taken by that, and I said, "but in this world you have to get out and

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know what's the real core of the bus
and talk to people. If I was analyzing
business. And, again, when you are
and talked to people. And so I was
people have never been out here, n
couldn't spend that money." So that
is you have to have a passion for yc

Linda Livingstone: Well, you were
CEO, and they had five CEOs before
the COO, there is a whole piece of l
tumultuous time. Talk about what th
focused the strategy of the compan
through kind of all of the changes at

Richard Goudis: Sure. There were
backgrounds of a lot of different ex
president of Disney International an
the first thing was to develop a stor
headed up by an entrepreneur. And
they were operating in about 45 cou
that could grow the business. Numt
management team, establish confid
establish confidence amongst our ir
quickly after I came on board, it was
and think with a really big paintbrus
dreamlike state and point people in
that hold people accountable both fi
deviate and change course. And the
have been on board, almost tripled
We have a lot to celebrate. And I th
and our distributors and that has be

Linda Livingstone: So talk a little
you use around the world, you men
in such diverse cultures? And then