

Case 10 Indra Nooyi: A Transcultural Leader

"If all you want is to screw this company down tight and get double-digit earnings growth and nothing else, then I'm the wrong person . . . companies today are bigger than many economies. We are little republics. We are engines of efficiency. If companies don't do [responsible] things, who is going to? Why not start making change now?"ⁱⁱ

— INDRA NOOYI,
Chairman and CEO, PepsiCo, Inc.

"If you look at the job entirely from the American perspective, then it becomes impossible to run a global business . . . you have to relate your interests to the interests of other parts of the world—to be relevant in their societies. Indra seems to understand this instinctively."ⁱⁱⁱ

— HENRY KISSINGER,
Former Secretary of State, United States of America

Indra Krishnamurthy Nooyi (Nooyi), chairman and CEO of PepsiCo, Inc. (PEP) and considered one of the most highly influential CEOs in the world, was for five consecutive years from 2006 at the very top of the list of the 50 most powerful women prepared by *Fortune*¹ magazine.ⁱⁱⁱ PEP—one of the 500 biggest companies in the world—manufactured, distributed, and marketed a range of food and beverage items, with revenues from 200 countries in excess of US\$57 billion for the fiscal year ended December 25, 2010.^{iv} Nooyi rose through the ranks after joining PEP in 1994 as its chief strategic officer.^v She went on to shatter the glass ceiling when she was appointed its CEO in 2006. During her tenure, the firm took a serious look at the health issues involved with its products and redefined its links with business and society.^{vi} She was regarded as the creator of PEP's growth strategy, "Performance with Purpose," that strove to balance strong financial returns with giving back to communities all over the world. As part of the strategy, PEP offered a range of choices that were healthy, convenient, and fun while reducing their impact on the environment and promoting an inclusive culture at the workplace. In line with this strategy, PEP was listed both on the Dow Jones North America Sustainability Index and Dow Jones World Sustainability Indexes.^{2 vii} "I have been particularly impressed by her willingness to do the right thing for her employees and consumers . . . I believe that all socially responsible companies could learn from Indra Nooyi's style of leadership,"^{viii} said Howard Schultz, chairman, president

and CEO of Starbucks Coffee Co. Rosabeth Moss Kanter³ described Nooyi as a visionary who was cross-cultural, female, and values-driven whose approach would be required in this era of globalization, where an individual's problems belong to everyone else.^{ix}

HER EARLY YEARS

Nooyi was born on October 28, 1955 in Chennai, India. She was heavily influenced by her stay-at-home mother, Shantha Krishnamoorthy (Shantha), whom she considered the first management teacher in her life.^x Though she had a conservative South Indian upbringing, there were many contrasting influences in her life. Observers noted that though she belonged to a Hindu home, she went to a Roman Catholic School. Nooyi admitted that Shantha "encouraged us but held us back, told us we could rule the country as long as we kept the home fires burning."^{xi} Observers described how Shantha would remind a young Nooyi that she would get her married at the age of eighteen, while also giving her daughter the freedom to dream about rising high in life.^{xii, xiii} Nooyi noted that she was made to compete with her sister for a piece of chocolate after meals, with questions like "What will you do if you were to become a prime minister?" or, "How would you change the world?"^{xiv} Nooyi believed that this process encouraged her to think, and made her come up with different ideas in order to get the reward.^{xv} Another influence was her grandfather, who kept a tab on her scholastic progress while ensuring that she was always prepared in advance with her lessons.^{xvi} Nooyi recalled that while she was taught Indian classical music, she also had the permission to be part of a rock band in which she played the guitar.^{xvii}

Nooyi went on to graduate from Madras Christian College in Chemistry, Physics, and Mathematics.^{xviii} This was immediately followed by an MBA from the Indian Institute of Management, Calcutta. Then she went on to work with ABB⁴ and

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This case was written by Amrit Chaudhari and Debapratim Purkayastha, IBS Center for Management Research. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

¹ *Fortune* is a global business magazine published by Time Inc.

² The Dow Jones Sustainability Indexes were launched in 1999 and were the first global indexes for tracking financial performance of the leading sustainability-driven companies all over the world.

³ Rosabeth Moss Kanter is a professor at the Harvard Business School.

⁴ ABB is a multinational headquartered in Zurich, with operations in power and automation technology.

⁵ Johnson and Johnson is a global American pharmaceutical, medical devices, and consumer packaged-goods manufacturer.

Johnson and Johnson,⁵ where she successfully launched various products.^{xxix} However, Nooyi's heart was set on other things. She said, "I always had this urge, this desire, this passion . . . to settle in the United States."^{xxx} Nooyi said her parents were apprehensive about letting her go to the U.S., and derived comfort from their belief that she would not get admission. However, she proved them wrong and got an excellent scholarship at Yale,⁶ where she pursued her Master's in Public and Private Management.^{xxxi} For Nooyi, the experience led to a profound shift in thinking, and she observed: "You come from India off the boat, you go to business school, and you realize that you come from a fairly sheltered life . . . I learnt everything over again."^{xxxii} While studying, she worked as a dorm receptionist on night shifts to support herself and saved some money to buy herself a Western suit for her first job interview out of Yale.^{xxxiii} Nooyi had opted for the night shift as it paid an extra 50 cents an hour.^{xxxiv}

Nooyi learned to be herself the hard way. She recalled that the Western suit that she bought for US\$ 50 from the local budget store was ill fitting and that she wore orange snow boots to the interview, leading to gasps from the interview board.^{xxv} She was rejected. When she sought the advice of a professor, the professor advised her to wear a sari for the next interview, and told her that "if they can't accept you in a sari, it's their loss, not yours."^{xxxvi} Nooyi wore a sari for the next interview at the leading global management consulting firm, Boston Consulting Group (BCG), and got the job.^{xxxvii} Nooyi averred, "Never hide what makes you."^{xxxviii} She added, "I am so secure in myself, I don't have to be American to play in the corporate life."^{xxxix} She followed the same philosophy ever since—of being herself and not changing her basic beliefs and drawing strength from her traditions.

Describing her experience at the BCG, Nooyi said that each of her six and a half years there equaled three years in the corporate world, given the number of challenges thrown at

a person in consulting (Refer to *Exhibit I* on the positions held by Nooyi).

After a stint in strategy with telecom major Motorola Inc. and with ABB, Nooyi made a move to PEP as its chief strategist in 1994, attracted by the chance of making a difference to a company that was then struggling.^{xxx} She began working under then-CEO Roger Enrico (Enrico).

RISE AT PEPSICO

PEP was going through a difficult time—its restaurant business was not doing well in the saturated fast-food market and its revenues from the international markets were lagging far behind archrival Coca-Cola Company⁷ (Coca-Cola). Nooyi was instrumental in the spinning off of the restaurant chains—KFC, Pizza Hut, and Taco Bell—in 1997, a difficult move that shrank the company by a third.^{xxxi} However, as a part of the strategic view, the company acquired Tropicana in 1998 for US\$ 3.3 billion and Quaker Oats in 2001 for US\$ 14 billion.^{xxxii} Nooyi went on to prove her mettle with a presentation to the board in 1998. Enrico remarked, "At that moment the PEP board understood Coke's business model better than Coke's board did!" They also realized that Coca-Cola's growth was not sustainable. Nooyi was vindicated when the share price of Coca-Cola began sliding after four months.^{xxxiii} The moves pushed up earnings and grew Nooyi's stature in the company.^{xxxiv} Enrico admitted that Nooyi was "the best negotiator I've ever seen in my entire life."^{xxxv} During the subsequent tenure of Steven Reinemund (Reinemund), Nooyi was elevated to president because he was impressed by her acquisition of Quaker.

Nooyi progressed fast in her career and was eventually declared as one of the two finalists—along with colleague Mike White (White)—to succeed Reinemund as CEO in 2006. After being appointed to the post, Nooyi personally flew down to retain her former colleague, with whom she had worked for

EXHIBIT I Positions Held by Indra Nooyi

Academics:

Bachelors in Mathematics, Physics, and Chemistry from Madras Christian College, Chennai, India, 1976.

MBA from Indian Institute of Management, Kolkata, 1978.

Masters in Public and Private Management, Yale University, 1980.

Before PepsiCo:

Manager positions at Mettur Beardsell Ltd. and Johnson and Johnson Ltd.

Senior Vice-President of Strategy and Strategic Marketing for Asea Brown Boveri.

International Corporate Strategy Projects at Boston Consulting Group.

Motorola—Vice-President and Director of Corporate Strategy and Planning.

At PepsiCo:

Senior Vice-President of Strategic Planning and Development.

Chief Financial Officer, 2001.

Source: www.mba.yale.edu/alumni/alumni_profiles/nooyii.shtml

⁶ Yale is a private Ivy League university in Connecticut, U.S.

⁷ The Coca-Cola Company is a beverage retailer, manufacturer, and marketer of non-alcoholic beverages, concentrates, and syrups.

EXHIBIT II Food Portfolio of PepsiCo Inc.*

Fun for You	These products are a part of PepsiCo's core food and beverages business. They include Pepsi Cola, Mirinda, Doritos, Lays, Cheetos, Mountain Dew, 7Up, and Red Rock Deli Potato Chips.
Better for You	These products are foods and beverages that have levels of total fat, saturated fat, sodium, and sugar that are in line with global dietary intake recommendations. They include Lay's Baked Potato Crisps, Pepsi Max, Diet Mug Root Beer, Diet Sierra Mist, H2Oh!, Diet Pepsi, and Propel Zero water.
Good for You	These products offer positive nutrition through inclusion of whole grain fruits, vegetables, low-fat dairy, nuts and seeds or significant amounts of important nutrients, while moderating total fat, saturated fat, sodium, and added sugar. They also address the performance needs of athletes. They include Quaker Instant Oatmeal, G series, Tropicana, Nut Harvest, and Naked juice.

* Data as of 2011.

Source: www.PEP.com/Download/PEP_Annual_Report_2010_Full_Annual_Report.pdf

several years. Nooyi offered him a compensation that nearly matched hers, creating in the process her right-hand man.^{xxvi} The following week, while addressing PEP employees, White remarked "I play the piano and Indra sings." Nooyi emphasized, "I treat Mike as my partner. He could easily have been CEO." She ensured that he was always next to her during key meetings.^{xxvii}

Nooyi was candid enough to admit that she had had a difficult journey to reach the top from her humble middle-class background in South India. She said, "Immigrant, person of color, and woman, three strikes against you. . . . So I would work extra hard at it. More hours, yes. More sacrifices and trade-offs, yes. That has been the journey."^{xxviii} Some observers said Nooyi was true to her name Indra, the Hindu "God of War."^{xxix} According to Nooyi, it was essential to focus on establishing an ethical corporate culture and long-term planning to avoid any corporate scandals.^{xl}

A NEW CORPORATE VISION

Nooyi continued to be a major change agent at PEP after taking over as CEO. Observers said that the earlier acquisitions of Tropicana, Quaker Oats, and Gatorade pointed to the direction that PEP would take in the future—toward "better-for-you" products, and away from junk foods.^{xli} (Refer to *Exhibit II* on the Food Portfolio of PEP.)

At the World Economic Forum in Davos in 2008, Nooyi remarked that it was essential that "we use corporations as a productive player in addressing some of the big issues facing the world."^{xlii} She said that an important way of achieving this was to inspire people to have a vision that everyone could relate to.^{xliii} Critics noted that as a child growing up in a developing India, she had seen the success of the Green Revolution⁸ in transforming society; they felt that this had made her sensitive to the role of the corporate sector in sharing their expertise in the developing world.^{xliv} Going forward, Nooyi wanted to leverage

on PEP's formidable distribution system to tackle the under-nutrition issues facing the world.^{xlv}

Observers appreciated the unusual and tremendously ambitious vision that Nooyi had of reinventing PEP.^{xlvi} This came under her leadership banner and corporate mission of "Performance with Purpose," which ensured that PEP achieved financial success and social responsibility along with it.^{xlvii} The initiative was composed of three important elements: human sustainability, environmental sustainability, and talent. (Refer to Table I.)

The company began to focus on getting an increased amount of earnings from health products, such as oatmeal. There was a push away from snack food, caffeine colas, and shareholder value toward health foods, fruit juices, and sustainable enterprise.^{xlviii} For Nooyi, the most important issue was the linkage of performance *with* a sense of purpose in the sense of "a very closely linked ecosystem" and not performance *and* purpose or performance *or* purpose. She emphasized that unless one focused on purpose, there could not be performance; unless there was performance there could be no purpose in the

TABLE I Food Portfolio of PepsiCo Inc. *

Components of "Performance with Purpose" Initiative	
Human Sustainability	Ensuring that products ranging from treats to health foods allow customers to make balanced, sensible choices.
Environmental Sustainability	Ensuring that the company replenishes the planet and leaves the world a much better place than it was before.
Talent Sustainability	Ensuring that the employees of PEP also have a life while they earn their living with the company.

Source: www.leadership.bcg.com/americas/nooyi.aspx

⁸ Green Revolution refers to the introduction of high-yielding varieties of seeds after 1965, along with the increased use of fertilizers and irrigation, to increase production and make India self-sufficient in food grains.

actions.^{xiix} She clarified further, "It doesn't mean subtracting from the bottom line . . . (but rather) that we bring together what is good for business with what is good for the world. . . . People these days are bringing their principles to their purchasing . . . we, in return, are bringing a purpose to our performance."^{li}

Nooyi emphasized that the economic downturn since 2008 had made the idea of performance with purpose even more important. For instance, it required that PEP's portfolio be transformed in such a way as to ensure performance. PEP's green initiatives ensured that costs were controlled, while talented and young people were attracted to work with the firm.^{li} Observers appreciated the fact that the vision had enabled the firm to be adaptable in order to continue growth at a time where there was increasing public awareness about the environment, customer concern about health, and a difficult economic climate.^{lii}

Her philosophy made her back "Pepsi Refresh" and other social-responsibility positioning.^{liii} The "Pepsi Refresh" project worked under Nooyi's vision of "Performance with Purpose" and allowed tapping into the Millennials,⁹ who would be more likely to choose brands that would contribute to the society at large. Observers termed the project a phenomenal success in terms of participation as it allowed people to put their ideas into action in the form of grants that were voted on by the public.^{liiv}

Critics noted that Nooyi was able to understand the culture of Pepsi, and to go on to challenge its accepted beliefs and practices in ways that were quite non-confrontational. For many critics, this was the result of Nooyi's Indian cultural background that had various regional and lingual influences.^{liiv} Nooyi was named the CEO of the year 2009 by the Global Supply Chain Leaders Group¹⁰ (GSLCG) for her continued contribution to responsible corporate citizenship even at a time when there was a global economic slowdown. They acknowledged Nooyi's long-term vision and execution capabilities and her efforts to provide a wider portfolio of healthier foods and beverages.^{livi} Some experts said that if Nooyi could actually deliver on both wholesome food and healthy profits, the future of PEP would be very bright.^{liiii}

LEADERSHIP AND MANAGEMENT STYLE

Nooyi had the good fortune of being guided by three former PEP CEOs—Reinemund, Enrico, and Don Kendall. Observers noted that her mix of South Asian heritage and mentoring at PEP had given her a strategic view of world markets. Though critics held that Nooyi might not treat everybody the same way as she did White, they agreed that she was ready to take help from others in whatever areas she felt there was a need.^{liiii} Nooyi admitted that even after retirement, Reinemund continued to reply to her emails within seconds and was ready to be at her side if she needed advice.

Experts felt that her experiences early in her career with organizations such as the BCG had taught her the inductive

thinking that had shaped her leadership style. "I don't think I could have gotten here without a strategy consultant background because it taught me inductive thinking. It taught me how to think of the problem in micro terms but also to zoom out and put the problem in the context of its broader environment and then zoom back in to solve the problem,"^{liix} she said. Experts noted that she could successfully predict the slowdown in the aerated soft drinks market and lead the foray of PEP into the sports drink market with Gatorade.^{lx} Her deep knowledge of the products and financial affairs of the company was widely appreciated.^{lxi}

Nooyi felt that no matter what the previous experience of a person, nothing could really prepare him/her for the top job at an organization. She believed that leaders should have the ability to draw on their previous experiences while having an enduring commitment to the learning process. According to her, "If you want to improve the organization, you have to improve yourself and the organization gets pulled up with you. That is a big lesson. I cannot just expect the organization to improve if I don't improve myself and lift the organization."^{lxii} According to some experts, Nooyi also had the traits of being a Level 5 leader that lead the company's transition from good to great.^{lxiii}

Nooyi saw five things that would change the workings of a CEO. First, she believed that there had to be an emphasis on the long-term outcomes rather than a focus on short-term earnings emphasized by shareholders. Second, for working effectively in a world that was becoming increasingly complex, there would have to be an emphasis on strong public-private partnerships. Nooyi felt that governments had become intrusive and had begun to challenge corporate governance since the trust in companies had touched an all-time low; that the parties saw themselves as adversaries. Third, there had to exist a strong ability to think local while acting globally, especially in the context of newer markets in the developing world. Nooyi said that in developed countries there were large stores that allowed the development of hundreds of new products. However, for the developing world, which typically had small, tiny stores, the need was to give choices in a completely different way. Fourth, Nooyi wanted CEOs to be more open minded, so that they not only understood better leadership principles but also the needs of the newer technologies and the younger generations. She wanted greater openness toward cultures. To get this, she believed in having great people to run the company so that the CEO got a chance to travel. Nooyi herself spent nearly two weeks in China, where she went to customers' homes and interacted with people to understand how they lived, what they thought about the products, and what the company should do differently in order to succeed. Fifth, she felt that there would be increased requirements of emotional intelligence for leaders, so that they could create a bond between the company and the employee, through the business model and the values the company stood for.^{lxiv}

Nooyi was known to be highly charismatic, with a clear voice.^{lxv} She retained her Indian accent and went on to use Americanisms in her interactions.^{lxvi} Experts noted that Nooyi could inspire employees to take on monotonous and difficult tasks.^{lxvii} According to Nooyi, a great leader was one who could get people to follow her to the ends of the earth. She remained

⁹ The Millennials are Generation Y with birth-dates between the mid '70s to the late '90s. Given the stronger reach of the media during the formative years of this generation, many of these members have a neo-liberal approach.

¹⁰ The GSLG award is given to individuals who get the highest aggregate ratings in leading, developing, and maintaining sustainable, responsible business practices on a global scale.

tough on herself and set high standards for everyone. Experts pointed out that since she had been held to high standards in her childhood, she applied the same to everybody else. They pointed to her practice of using green, red, and purple pens to highlight issues on documents. Nooyi admitted that her scribbles were legendary, and she would write statements like “I have never seen such gross incompetence,” or “this is unacceptable” and would underline “unacceptable” three times. Employees remembered the time when they were asked to find an alternative to the use of palm oil. Nooyi pushed them hard until they came up with a solution. One employee recalled, “Don’t try to delegate up, because she will bounce it right back in your face.”^{lxxviii}

However, she nurtured the employees at the same time so that her followers aspired to be like her in the future.^{lxxix} Reinemund considered Nooyi a “deeply caring person . . . who can relate to people from the boardroom to the front line.”^{lxxx} Nooyi always seemed comfortable with her leadership presence, as she often moved around in the office barefoot, singing in the halls.^{lxxxi} She was said to have gifted former CEO Enrico a karaoke machine and was herself known to sing out during management conferences.^{lxxxii} Known to be a style apostle, she preferred wearing saris topped with a simple shawl and pearls. Nooyi’s attire showed her deep connection with India.^{lxxxiii} She attended board meetings in a sari, as she believed that the corporate world preferred people who were genuine.^{lxxxiv}

She became a mother figure at PEP, looking after the company as if it were her family. Observers noted that she made time for regular staff who needed to interact with her—be it even the security guards at the Purchase, New York, headquarters. Every quarter, she sent a hand-written letter to the spouses of all 27 of her top executives, thanking them for their support despite the long hours of work and travel that the executives had to undergo.^{lxxxv} As she was very demanding at the workplace, she made up by throwing dinner parties for the members of her team and their spouses. At these dinners she interacted with her team members’ spouses and fielded questions from them. Nooyi also took the personal initiative to thank the parents of the senior executives at PEP for the great job they had done in bringing up capable children, and this unleashed strong emotions that created a bond between the executives, their parents, and her.^{lxxxvi} She also insisted on celebrating everyone’s birthdays with a cake. Her extracurricular activities were not limited to playing the electric guitar at office parties, but also included reading a book every day from 11 p.m. to 2 a.m. to keeping herself up-to-date on innovation.^{lxxxvii}

Nooyi strongly believed that globalization and the spread of information technology had turned organizations inside out and upside down. The decision-making ability had shifted to lower levels that tended to operate through self-organizing networks.^{lxxxviii} PEP saw a broadening of the power structure when the executive team was nearly doubled to reach 29 members. High-profile additions included Mehmood Khan, who became PEP’s first chief scientific officer for looking into food research.^{lxxxix} Nooyi used her leadership banner of “Performance with Purpose” to ensure that PEP’s leaders had an opportunity to work for achieving an integrated life.^{lxxx} While focusing on the talent sustainability pillar, Nooyi rolled out her “cherish” principles for valuing employees, encouraging people to bring their

values to work, and to use them every day. Observers pointed to the increased levels of pride at PEP, an integration of work and life values, and the satisfaction of contributing to consumers, communities, and countries. They noted that the initiatives had enabled employees to hit their career “sweet spot” and to make talent sustainability a strategic advantage at PEP.^{lxxxi} Nooyi launched the “Leading with Purpose” program at Yale University for all the divisions at PEP, which enabled leaders to move in the direction of “Performance with Purpose.”^{lxxxii} She treated the employees at PEP as leaders and built a culture that recognized hard work and encouraged initiatives from employees. She defined her leadership philosophy into the “Five C’s”.^{lxxxiii}

- **Competency:** Being an expert in your field, stand out from the crowd and be a lifelong learner.
- **Courage and Confidence:** Having the courage and confidence to do and say what you believe is right. Establish the knowledge base and be confident.
- **Communication skills:** Good communication skills are critical for progress.
- **Consistency:** Being steady, reliable, and determined so that one is credible and has a baseline to measure successes and failures.
- **Coaching:** Being surrounded by mentors that enable change.
- **Having a Moral Compass:** Having the desired strength and courage to do what is right and not what may be expedient.^{lxxxiii}

At PEP, Nooyi ensured that employees balanced life and work and had an extended family at the workspace to achieve that balance.

STRIKING A BALANCE

Nooyi sums up the trade offs and sacrifices she has made in her life “Any woman who reaches the kinds of positions we do, and I’ll speak for myself here, there are so many tradeoffs, compromises, heartbreaks, regrets that we’ve had to make along the way. It has not been easy. You know, I have two daughters. I have a husband, been married for 28 years. I have a mother still alive, and my family is very close.”^{lxxxiv} She candidly admitted that between the roles of being a mother and a CEO, it was the role of the mother that came first. She said that she would take a call from her daughters any time, even during work hours. She held on to her value system that gave emphasis on being there for her children.^{lxxxv} During long trips, Nooyi called up her family to keep in touch; if she was on a domestic trip, she tried her best to be there with her daughters for breakfast. She also acknowledged the support she got from her husband in her progress. According to her, she faced enormous pressures in meeting the expectations of being a wife, a daughter, and a daughter-in-law while being responsible for the affairs of PEP. She admitted that it was late in life that she stopped being consumed by the guilt of not being good at everything and did

¹¹ A career “sweet spot” enables employees to work harder with higher impact and yet feel less stressed.

the best that she could.^{lxxvi} She also made it a point to call her mother in India twice a day.^{lxxvii}

Nooyi was a tireless worker who would sleep not more than four to five hours every night. Observers remarked that despite her highly successful career, Nooyi held on to her Indian roots and balanced her high octane job with the calm, collected behavior required for a wife and mother at home. Visitors to her house were required to take off their shoes before entering. The house had a worship room where the *diya* (traditional lamp) was kept burning. Carnatic music was played at her house almost all day, creating the aura of a temple at home. Nooyi believed that her belief in religion enabled her to do a better job. She quipped, "I don't know about a better job, but it certainly makes me calm . . . there are times when the stress is so incredible between office and home . . . then you close your eyes and think about a temple like Tirupati, and suddenly you feel 'Hey—I can take on the world.'"^{lxxviii} She also kept a *Ganesha* (a Hindu deity) in her office. According to Nooyi, when things got difficult, it was her family and her belief in God that kept her going. "At the end of the day . . . don't forget that you're a person, don't forget you're a mother, don't forget you're a wife, don't forget you're a daughter . . . what you're left is family, friends, and faith."^{lxxix}

HANDLING THE DOWNTURN

According to Nooyi, setting the agenda in a downturn was of prime importance. She ensured that she was visible in order to convey a strong message that things were all right and the organization would come out of the problems. To tide over the downturn, the company made substantial reductions in spending, but not at the cost of long-term investments.^{xc} Nooyi emphasized the realistic optimism considering the fact that they were a consumer staple company, which would not be affected much.

PEP launched a restructuring program in October 2008 with the focus clearly on prioritization. The company set priority points which were repeated at each and every interaction the company had with its employees. The line managers were given agendas—but also the freedom to achieve their goals. Nooyi gave substantial freedom of action, and intervened only when businesses were in dire need of a turnaround. While employees traditionally could be motivated by the high growth being enjoyed in developed markets, the thrust in the future would only come from developing markets. Nooyi felt that people should have the inclination to work in international environments.^{xcii}

However, Nooyi was also criticized for laying off almost 3,300 employees—nearly 1.8% of PEP's global workforce in 2008—and closing factories to survive the downturn, moves that would enable it to save almost US\$ 1.2 billion.^{xciii} Nooyi's response then had been, "This will enable our competitiveness and give us breathing room to respond . . . it is no news to you the economy is turbulent and there are uncertainties and volatility in every part of the environment."^{xciii}

RISING STAKES?

While some industry observers and experts described her as a New Age hybrid leader (refer to *Exhibit III* on Characteristics of a Hybrid Leader) and praised her leadership style, Nooyi also came in for some strong criticism. Critics termed Nooyi's

EXHIBIT III Characteristics of Hybrid Leaders

1. Are deep enough to deliver
2. Have genuine concern for people
3. Drive collaboration through the organization
4. Celebrate diversity
5. Are excellent communicators
6. Emphasize work/life balance
7. Admit their constraints

Source: www.lesaffaires.com/uploads/references/1266_creatingthehybridleader.pdf; www.jumpassociates.com/a-hybrid-leader-for-a-hybrid-school.html

slogan of "Performance with Purpose" as a marketing ploy that happened to be in vogue. They pointed out that the company was still best known for making soda and potato chips.^{xciv} She was also criticized for the way she handled issues such as the pesticide controversy in India in 2006, and health issues related to the company's products. They argued that despite being an Indian she did not take the initiative to reassure the Indian public that the company's product was safe.^{xcv} At a Fox Business show, Nooyi had also infamously quipped, "Doritos is not bad for you . . . Doritos is nothing but corn mashed up, fried a little bit with just very little oil, and then flavored in the most delectable way."^{xcvi} The statement led to a flurry of criticism against Nooyi.^{xcvii} Her image took a beating when, at the last moment, she pulled out of a major soft-drink industry conference at which she was to give the keynote speech. The participants felt that her excuse for not attending was quite lame and were not satisfied with the fact that she sent a subordinate in her place. Nooyi's explanation, that she wanted to give the spotlight to the CEO-designate of Coca Cola, Mukhtar Kent, did not find many takers. Critics were convinced that Nooyi could be quite temperamental.^{xcviii}

Nooyi's strategy was also criticized as there were reports that developing markets were not seeing a change in dietary habits. For instance, PEP was banking on a successful launch of Pepsi Max in the summer of 2010 to extend its market share in India. However, the launch was not successful. Experts believed that many people in the developing world were not buying into the healthy food habits concept being propagated by Nooyi. Sales of 100% juices continued to lag behind sugary ones by a wide margin, while pizza chains like Dominos continued to beat sales targets.^{xcix} Moreover, some of PEP's new forays were not doing too well: its Flat Earth chips¹² had disappointed at the market and had to be discontinued because of slow sales.^c Critics accused the products of having a taste-barrier and even went to the extent of saying that some of them had a really awful taste.^{ci} Meanwhile, Quaker Oats had had little success in attracting attention to its oatmeal, which was tagged as a "best-for-you" food by PEP. The company was criticized for diverting funds from expensive Super Bowl¹³ commercials to the "Pepsi Refresh"

¹² Flat Earth Chips were snacks that had half a serving of fruits or vegetables per ounce.

¹³ The Super Bowl is the annual championship for the National Football League in the U.S.

EXHIBIT IV Total Net Revenue and Operating Profit of PepsiCo Inc.

	2010	2009	2008	2007	2006	2005
<i>Total Net Revenue</i>	US\$ 57,838	US\$ 43,232	US\$ 43,251	US\$ 39,474	US\$ 35,137	US\$ 32,562
<i>Operating Profit</i>						
FLNA	US \$3,549	US \$3,258	US \$2,959	US\$ 2,845	US \$2,615	US \$2,529
QFNA	568	628	582	568	554	537
LAF	1,004	904	897	714	2,016	1,661
PAB	2,776	2,172	2,026	2487	—	—
PepsiCo Europe	1,020	932	910	855	—	—
AMEA	742	716	592	466	—	—
Corporate Unallocated						
Market-to-market (net)	91	274	346	19	—	—
Merger and Integration Charges	(191)	(49)	—	—	—	—
Restructuring and Impairment Charges	—	—	(10)	—	—	—
Venezuela currency devaluation	(129)	—	—	—	—	—
Asset Write Off	(145)	—	—	—	—	—
Foundation contribution	(100)	—	—	—	—	—
Other	(853)	(791)	(651)	(772)	(738)	(780)
<i>Total Operating Profit</i>	US \$ 8,332	US \$ 8,044	US \$ 6,959	US \$ 7,182	US \$ 6,502	US \$ 5,984
<i>Total Operating Profit Margin</i>	14.4%	18.6%	16.1%	18.2%	18.5%	18.4%

Note: PepsiCo is organized into four business units. These are PepsiCo Americas Foods (PAF), which is comprised of FLNA, QFNA and LAF; the PepsiCo Americas Beverages (PAB); PepsiCo Europe; and AMEA.

FLNA: Frito Lay North America

QFNA: Quaker Foods North America

LAF: Latin American Food

PAB: PepsiCo Americas Beverages

AMEA: PepsiCo Asia, Middle East and Africa

Figures in US\$, (millions)

Source: www.pepsico.com/Investors/Annual-Reports.html

challenge.¹⁴ Critics pointed out that PEP had returned to TV advertising in June 2011 after three years of focus on social media and crowdsourcing through corporate philanthropy-based programs such as Pepsi Refresh. Nooyi was accused of ignoring marketing and product positioning while giving too much emphasis on “Performance with Purpose.” However, Nooyi termed as “rubbish” claims that she had not paid attention to the leading brands of PEP and argued that emphasis on corporate citizenship and healthy foods did not come at the cost of driving sales.^{cii}

Critics said that Coca-Cola had emerged stronger during Nooyi’s tenure as the CEO at PEP, with increasing sales and a

much lower cost structure. According to a report in 2011, Coke had held on to the #1 slot in sales and unseated Pepsi from the #2 spot as well with Diet Coke in the U.S. Globally, while PEP was being affected by increased commodity costs and the uncertain economic conditions and had to cut its earnings growth to single digit levels in 2011, Coca-Cola had reported increasing sales volumes. Though both Coke and Pepsi had agreed to pass on some of the higher costs of drinks to customers, PEP was in a difficult position given its substantial food business where it could not turn away customers given the high prices.^{ciii} Critics argued that though PEP had created a desirable association with itself, the association remained vague and the firm was paying through loss of market share. But Nooyi countered, saying, “From my perspective, we are a different company . . . different

¹⁴ The Pepsi Refresh Challenge aimed at finding innovative not-for-profit organizations.

from a business makeup, different culturally, in the way we think, the way we act. We are different every which way . . . we are in businesses that give you more good-for-you products, and that means closer to crops. When you're closer to crops, you're going to have some inflation."^{civ} However, there was considerable pressure on her from shareholders to improve the market share of PEP's flagship brands.^{cv} A shareholder remarked, "I think it is hard to give Indra much better than a C-plus as a CEO," given the fact that PEP shares had fallen by 7% by 2009, compared to a 28% surge for Coke during the same period, from the time she took over."^{vi} (Refer to *Exhibit IV* on the Total Net Revenue and Operating Profit of PepsiCo.)

However, Nooyi was confident of the vision she had for PEP, even as industry observers were closely watching her next moves. "We are confident that we will reinvent the cola business the right way,"¹⁵ she quipped. She was willing to stretch herself while taking the firm forward. According to her, "Just

because you are CEO, don't think you have landed . . . You must continually increase your learning, the way you think, and the way you approach the organization. I've never forgotten that."¹⁶

Assignment Questions

1. What were the factors that shaped Indra Nooyi as a leader?
2. What are the factors that could make Nooyi change her decision about corporate sustainability?
3. Do you think Nooyi has a life outside of PepsiCo?
4. Which leadership style is being used by Nooyi at PepsiCo? Highlight the mix of various leadership styles found in Nooyi, such as that of servant leadership, ethical leadership, socialized charismatic leadership, and authentic leadership.

¹⁵ Dale Buss, "Stakes Rising for PEP's Nooyi," www.brandchannel.com, June 29, 2011.

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