

The PEPSI Challenge: Building a Leader-Driven Organization

IF TIME IS THE MOST valuable leadership resource, should the CEO of a nearly \$30 billion multibusiness corporation with 300,000 employees spend more than 100 days a year personally conducting workshops for senior executives? At PepsiCo, the answer is a resounding "yes." Chairman and CEO Roger Enrico is leading other Pepsi executives in changing the way they develop the next generation of leaders. The central idea is simple: The most important responsibility of a leader is to personally develop other leaders. The company's new effort provides a world-class best practice that challenges us to rethink a lot of our conventional wisdom about leadership development—who should do it and how it should be done. And it is challenging business leaders to think seriously about the implications.

In 1984, having transformational leaders at all levels of an organization was a

Here's how PepsiCo executives are developing the company's

BY NOEL M. TICHY AND CHRISTOPHER DEROSE



Roger Enrico is PepsiCo's chairman, CEO, and teacher-in-chief. He spends 100 days a year developing leaders.

unique idea. Some of us in the leadership-development field started writing about the call for revolutionary change. But now in the mid-nineties, that challenge is passé. We're well into the era of trying to figure out how to deliver on the challenge. The change came about not because academics were preaching and writing but because the capital markets—such as the securities markets and other financial intermediaries—set the human resource development agenda. HR professionals no longer need to bemoan their status or beg for executives' attention to leadership development. The capital markets fired the CEOs who weren't leading at IBM, General Motors, Westinghouse, Kodak, Allied Signal, and American Express—to name only a few. In effect, the capital markets said, "We demand transformational leadership to ensure that 'shareholder value' is created. The destruction of billions of dollars by weak, protected CEOs is a thing of the past."

next generation of leaders. The key is a teachable point of view.

Effective CEOs in the 21st century will create companies that can translate leadership behaviors at all levels of the organization into sustained financial excellence as measured by capital markets. Successful companies must balance growth and operational return-on-net-assets resulting in superior market-value-added. Columbia University professor Larry Seldon has shown that capital markets require a

company to deliver a sustained and double-digit top-line growth of 12 percent and a 16 percent yearly operating return-on-net-assets in order to be in the top quartile of Standard and Poor's 500. In such companies, the quality of worklife is better: salaries are higher, career opportunities are more plentiful, and stock options are more valuable. The only way to achieve such sustained world-class performance is through leadership at all levels. Firing poorly performing CEOs and installing new ones—as Allied Signal did when it put Larry Bossidy in place—is only one small step in the process. The challenge for CEOs like Bossidy is to build leaders throughout the organization.

Former PepsiCo CEO Wayne Calloway said that was his number-one priority. That puts him in the company of such leaders as GE's Jack Welch, Compaq's Echard Pfeifer, Servicemaster's Bill Pollard, and Hewlett-Packard's Lou Platt. These elite are actually delivering on a leadership agenda through huge investments of their time. For example, Welch has a 15-year track record of attending workshops, conducting biweekly sessions with managers, and spending a month each year on succession planning. Similarly, Bossidy met face-to-face with more than 15,000 Allied Signal employees in his first year and saw that all 86,000 employees attended a change workshop.

Roger Enrico has raised the ante by showing how much leverage a leader can exercise when he or she makes development a central activity. The PepsiCo example underscores the importance of several major building blocks to leader-driven organizations:

- ▶ Leaders with a proven track record of success are the best developers of other leaders.
- ▶ In order for leaders to develop others, they must have a "teachable point of view" on how to build, run, grow, and change a business, as well as a workable definition of what leadership means in the context of their own organizations.
- ▶ Leaders require a development methodology.

Boot camp

Enrico's program, "Building the Business," has raised the bar. Only nine Pepsi executives—carefully screened



Bill Russell, director of executive development, was Enrico's partner in creating a high-powered executive development program at PepsiCo.

by top brass—attend at a time. Prior to the program, the lucky few spend a month crafting a "growth project" with their division presidents and Enrico. His only admonition is that the idea must be "big"—in other words, it must dramatically affect revenue, quality, cost, or customer satisfaction. As preparation, all of the executives receive 360-degree feedback on their leadership styles. Then, they're ready for Enrico's boot camp.

During the first five-day session, the executives often work from 8 a.m. until past midnight. Participants focus on Pepsi's leadership fundamentals, receive feedback, and develop a personal vision and action plan for their growth projects. By the last day, they're ready to begin implementing their plans; for the next 90 days, they take their best crack at them. Then, the group reconvenes for three days with Enrico to receive coaching, to develop personal leadership-improvement plans, and to review their successes and failures in applying Pepsi's leadership principles to their growth plans.

The "Building the Business" program has helped develop and advance both new and existing organization-wide projects—including strategies to combat private-label soft

drinks, and a joint venture between the Pepsi divisions Frito-Lay and Sara Lee. More importantly, the program's effect on everyone has been deeper than more traditional leadership-development efforts. Communication is no longer one-way. The teacher—in this case, Enrico—is learning continuously to improve what he teaches and how. He gets to know key people and learn about the company from its best and brightest. Then, he's able to use that knowledge to coach others.

The participants also learn from each other. They build new networks, improve their ability to make change happen, and get a firsthand taste of what it means to develop a business's high-potential people. Pepsi is replicating the program across the organization through another cross-divisional, cross-functional leadership program and three specialized "functional excellence" programs for the marketing, finance, and HR departments. The executives who attend the "Building the Business" program often bring the core ideas back to their divisions, introducing them to lower levels in the organization.

The call to action

For PepsiCo, growth equals adrenaline. The only way to keep this \$30 billion company pumped up is to keep its people generating a revenue growth of 15 percent per year. PepsiCo aggressively challenges employees to stretch their skills by allocating important business decisions to new managers. Talent runs deep at PepsiCo thanks to on-the-job training, but an in-house survey of managers in 1990 startled many top executives.

The survey showed that even if the population of general managers grew at half the expected rate, the number would double every five years. Pepsi's then CEO Wayne Calloway and then senior vice-president of HR, Roger King, knew that current approaches—such as transferring people across divisions and giving people assignments that stretched their abilities and responsibilities—couldn't develop people at that pace. Calloway met with division presidents and told them that less than 20 percent of their executive population would hold the same titles in five years. Put another way, by the

A HOLISTIC VIEW

PepsiCo's leadership-development initiative is a holistic blending of key building blocks. No single element is unique; none can stand on its own. The combination creates a transformational experience for participants.

Here's how:

Taking the time. Enrico showed his commitment by creating the initiative and then personally leading seven programs in the first year. He invested more than half of his work time on development. To show its commitment, Pepsi regularly takes off-line nine revenue-producing, six-figure-income executives to participate in the program. "It's a big win to get high-potential candidates to step back and assess what they're doing," says Nictakis. "Typically, these people don't even take vacations."

Using an internal model. A superstar like Enrico has the respect of the organization and the influence to reshape participants' values and roles. The program could continue without him, but Russell says that its effectiveness would be diminished at least 50 percent, believing that a program design provides only a structure for the innate talents of the presenter. According to Russell, the litmus test is whether the facilitator will be universally accepted as having something unique to offer. Using internal leaders to facilitate programs sends the message that the organization doesn't have to go outside for talent.

Making it personal. Efforts like the "Building the Business" program offer platforms for communicating what a leader stands for. Despite Enrico's mythological stature, some participants were skeptical. McLaughlin says that he didn't have high expect-

tations because he had never met Enrico and wasn't sure how much of his reputation was hype. Without a clear message and an obvious desire to help, Enrico might have sounded like just another soapbox preacher.

Keeping it small. The list of participants is a short one, nine per program. Participants get to know each other personally, and they get to spend "quality time" with people from other divisions. This makes for an intense experience.

Building trust. When Enrico says that participating in the program can't endanger anyone's career, he means it. Some people may have been promoted faster and further as the result of a good showing in the program, but no one has been fired for failing. Enrico's approach engenders trust. He shares his honest opinions on any topic that participants raise. His intensity and sincerity are unwavering throughout the program.

Creating coaching opportunities. For most participants, Enrico's personalized attention during the one-on-one coaching sessions provides the most powerful experiences during the program. His supportive attitude makes them feel comfortable and helps them recognize what they need to do to keep improving and advancing at PepsiCo. Enrico coaches them with his own experiences and how he found answers. "Then, I coach them to have confidence in their answers, and I give them an hypothesis to work on."

Participants also meet one-on-one with Russell or a divisional HR head to review the results of a 360-degree evaluation and personal-leadership assessment. Typically,

the review helps participants identify areas for improvement. For example, KFC's Waller determined that he needed to be less aggressive when pitching ideas.

Getting out of the office. People can be more willing to change their views when they're placed in unfamiliar settings. To create that kind of watershed event, the program removes participants from their everyday environments.

Providing feedback. Enrico doesn't ask participants to listen to monologues. The program is an active learning process that draws on the knowledge of the entire group, in facilitated discussions. Participants know that they may be called on at any time to contribute their insights. No one is censured for not having all the answers.

Envisioning the future. This is a powerful tool for creating change in organizations and in people's mindsets. During the first workshop, participants write a mock magazine article describing their projects five years from the present, the projects' impact on PepsiCo, and the obstacles that participants faced in trying to implement the projects. Enrico compares this activity to the visualization of skiers. Before leaving the chute, they have traversed the run over and over in their minds.

Creating commitment. Though it's assumed that participants will fulfill their workshop commitments, PepsiCo leaves nothing to chance. Participants must spend an hour reviewing their projects with their division presidents to make sure their commitment is explicit and manageable.

end of 1995, most people in Pepsi's business units and divisions would have less than five years of experience in their jobs. Calloway added the following footnote: "Pepsi fills 86 percent of executive vacancies from within." Pepsi could recruit from the outside, but Calloway feared that would compromise the company's operational excellence and cultural fabric. Cal-

loway's imperative was simple: Division presidents had better start getting serious about development, and fast.

Still, formalized development didn't become an immediate priority. Everyone agreed that it was important. HR assessments even rated executives on their ability to "develop others." Everyone scored high but did little. How did they ignore such a pressing need? One

reason is that Pepsi considered itself to be an "academy company" that already produced some of the leading executives in the United States. Cross-divisional transfers among Pepsi's three consumer-product divisions in more than 174 countries were used to develop high-potential employees.

But in 1991, Calloway didn't want to hear about the benefits of Pepsi's

historical approach. Calloway openly criticized the use of development funds to make profits look larger. It was stealing from the company's future, he said. A year later, Calloway, disappointed in the company's lack of initiative, returned to the annual meeting of the division presidents. He extended King's offer to bankroll corporate or divisional development programs and gave the division presidents a straightforward challenge to make public their commitment. Enri-

co and Christopher Sinclair, CEO and president of Pepsi-Cola International, came forward.

Road warriors

Sinclair's program represents an excellent example of Pepsi's divisional efforts. The three-day workshops center around a competency study that identifies the current and future leadership qualities desired in Pepsi executives. The workshops also help clarify the organizational culture and potential haz-

ards that could derail executives' careers. Sinclair attends a partial day of each session to ensure that all participants are aligned around a clear and consistent organizational vision.

But while Sinclair and other Pepsi executives were sponsoring leadership-development programs, Enrico signed up to lead one, even though he was busy transforming Frito-Lay and had his hands full trying to stave off such competitors as Eagle Snack Foods. In fact, Enrico's desire to teach

A NEW ROLE FOR HR PEOPLE

When leaders develop other leaders, that radically alters the role of HR professionals. They must become coaches, enablers, and providers of powerful ideas for the social technology of delivery.

For example, Pepsi's director of executive development, Paul Russell, decided that the first order of business in designing the leadership-development initiative would be to identify the types of programs needed and where they were needed, the same way he creates traditional development programs. For whatever programs he's working on, Russell emphasizes the need for internal support. "Before you ask a senior executive to invest weeks of his or her time leading a program," he says, "you had better be sure that people want to hear what that person has to say." Russell learned that lesson the hard way. After spending days with a top executive working on a new program for the marketing department, Russell realized that the true interest in the program was low. Russell had seen people volunteer to attend the program whenever the senior executive raised the idea. But there was no real commitment in the departments to send people. "I learned that it's important to stay close to your internal customers. And that it's difficult to cancel a program after a senior executive has become emotionally involved."

Russell says that choosing the appropriate leader is essential. The leader should be easily recognized

as world-class in his or her field and should embody the leadership skills, passion, and values desired by the organization. "If you can't figure out the right person for a program by asking a few people, there probably isn't anyone," he says. Simply, a leader should be so respected that his or her participation actually creates a demand for the program. Russell is surprised at the eagerness with which most people embrace the idea of leading a personalized development program and how often it is viewed as an opportunity to help develop others. A few have balked at the idea of becoming a program leader, questioning what they had to offer. One person changed his tune after Russell quickly recounted an abbreviated list of the person's major accomplishments and philosophical insights. The real trick, says Russell, is to make these people realize that they have a legacy to share with the organization's next generation of leaders. "They have had phenomenal successes and abysmal failures. And they have insights that come only through learning from experience."

Russell also reminds candidates that they've been endorsed by an important group in the organization, usually division presidents or department heads. That kind of confidence-building rarely scares anyone away. Still, it takes hours to extract a leader's teachable point of view. Russell spends at least two days in one-on-one interviews asking such ques-

tions as, "What have you learned the 'hard way' that you want to pass along to others?" Then, he sifts through the answers for about two weeks. The result is a hypothetical model of the leader's personal philosophy, with anecdotes and experiences clustered around 15 to 20 big ideas. Though he remains in contact with the leader during this stage, his next meeting is usually a high point in the development process. Then, Russell shares his hypothetical model and waits for the leader's reactions. Some never recognize themselves. Alan Pottasch, Pepsi's resident advertising guru, took a look and said, "This looks good. Whose is it?" It took Russell 15 minutes to convince Pottasch that the quotes, ideas, and philosophies came from the ad man himself. "Most people have only a vague notion of how they do what they do," says Russell. "They do it instinctively."

After working together to improve the hypothetical model, Russell and the leader go in different directions. Though Russell is always available to assist, the leader does his or her own scripting and much of the design. The leader links personal anecdotes and experiences with philosophical ideas while Russell identifies activities and projects to suit the leader's skills and personality. "As a development expert," he says, "it's my job to make sure that action learning remains a cornerstone of how participants learn. That's an expertise that I can lend to

traced back to a 1991 heart attack that stopped the executive in his tracks. He realized that he was financially independent and still young enough to start a new career. He wanted to be remembered as "someone who opened the minds of people to see what they might have missed."

Enrico considered heading for Harvard or Stanford. But Joe McCann, Pepsi's senior vice-president for public affairs, helped turn Enrico's teaching bug into a corporate asset. "If you

the leader during the design stage."

Once Russell and the leader have completed their independent work, they meet to merge their ideas and confirm their mutual support. Says Russell, "We're always in contact during the design stage. And I show my enthusiasm to keep him or her engaged." Though the design process seems formal, Russell says that it's important to keep it flexible. "Every executive is different," he says. "My job is to find a balanced structure that brings out the best of the leader's experience and philosophies. I have to understand just about everything about the person's values, experiences, and beliefs so that I can identify his or her comfort zone as we construct the program design together." With face-to-face interviews and many telephone conversations, Russell's interaction with leaders can become intensely personal. Such intimacy is useful for establishing a coaching relationship during the workshops, which Russell attends. Initially, he focuses on the leader's effectiveness, noting which anecdotes garner the biggest reactions. He also gives the leader feedback on his or her "stagecraft." For example, during one of Enrico's sessions, Russell had to push him to involve the audience more, saying that Enrico was doing all the work and not giving participants the opportunity to jump in. Enrico changed his tact, and the program improved noticeably.

want to teach part-time," said McCann, "why not do it here with something you know and people you know." While Enrico was thinking it over, Paul Russell, director of executive development, paid him a visit at Frito-Lay's headquarters in Texas. Russell had been working for months in response to Calloway's challenge to create "the world's leading executive-development program." Russell didn't want his effort to compete with Enrico's so he suggested a partnership. Enrico spoke philosophically about his own mentors, explaining that he felt compelled to give back to the company. But he also told Russell that he didn't want to give presentations to large, anonymous audiences. Enrico's message was personal; he needed to share it in a way that enabled him to build a relationship with the people he coached. He also admitted that he had no idea how to structure a formal development program. That was Russell's area of expertise.

In fact, Russell had arrived with a content analysis of nine of Enrico's speeches from the past three years. His analyses provided some early momentum for the program's design. They agreed to collaborate and set a tentative launch date. After hearing of Enrico's desire to teach high-potential executives, Calloway asked him to use his future program to generate new growth ideas for Pepsi. Enrico saw a natural fit between the development program's emphasis on leadership and Calloway's message of growth. Until then, Enrico had feared that managers lacking in the appropriate leadership skills would submit to the "tyranny of incrementalism," preventing Pepsi from maintaining its rapid growth.

For the next three months, Russell hashed out a final program design, collaborating with Enrico and reviewing the approaches of noted leadership experts such as John Kotter of the Harvard Business School and Warren Bennis. With the program kick-off less than five weeks away, Russell knew that he needed more of Enrico's time to fine-tune the details. But he found that Enrico would be out of the country until the program's start. So, Russell got on the same travel itinerary. He and Enrico worked on planes, in hotel rooms, and during whatever moments

they could spare. While working in the third-floor conference room of a hotel in Madrid, Russell noticed Enrico's enthusiasm beginning to wane. Enrico wondered why he was going to lead a program that was based on professors' models and experiences with other companies. He felt that he couldn't possibly do justice to either. Why not bring in the business-school professors to teach the program?

Russell's answer was simple: "This program is by PepsiCo, for PepsiCo." Russell explained that people in PepsiCo didn't want to hear consultants talk about other industries or leadership models with fuzzy applications. They wanted Enrico to bring to life his own insights from leading PepsiCo's domestic and international divisions. Suddenly, the glint in Enrico's eyes returned. He picked up a pile of files and said, "Then I guess we can deep-six this stuff." They started over.

Enrico shared his personal leadership experiences and observations with Russell, producing 50 pages of anecdotes and ideas. After Russell grouped the ideas into major themes, a design for a new, personalized leadership model emerged. Says Russell, "It was like doing a factor analysis with your eyes and ears." The resulting change-leadership model makes Enrico's implicit knowledge explicit. It captures the experiences and understanding that elevated Enrico to the position of vice-chairman, and it converts his coaching energy into a learning opportunity. The model also offers the opportunity to institute and continuously improve on Enrico's own learning over the years.

An intense experience

The change-leadership model represents just one element of the "Building the Business" program that Enrico and Russell kicked off in mid-December 1993. It isn't a traditional training program; it's an ongoing, intense development experience. It starts with significant preparatory work, takes five days to refine the ideas and communicate Pepsi's leadership principles, and entails 90 days of project work. Participants meet a final time to capture and share what they learn in trying to implement their projects. (See the box, "A Holistic View.")

A TEACHABLE POINT OF VIEW

The change-leadership model outlines Roger Enrico's personal perspective from more than 20 years with PepsiCo, including major roles in each of the company's five divisions. Here's a look at the model Enrico uses to communicate his teachable point of view:

Think in different terms. Enrico constantly urges participants to "think big" and to look for unique ideas that can drive change within the industry.

Develop a point of view. Enrico says, "A point of view alone is worth 50 IQ points." He emphasizes the importance of obtaining solid data and verifying it with different constituencies in the organization. Leaders don't always look for the green flag; intellectual honesty requires them to listen for what they don't want to hear.

Take it on the road. Before making the "big sell" to the entire organization, test ideas on a smaller group. The group can provide critical input and help develop the ideas. Enrico calls this "off-Broadway," a run-through of the big production to follow.

Pull it all together. Once an idea's value is established, it's up to the leader to crystallize the vision, establish measurements, and enlist key stakeholders.

Make it happen. Successful implementation depends on clear, vivid communication and the ability to leverage the unique aspects of an

organization's culture. He urges participants to think about their views on how to grow a business. He challenges them continuously with the Pepsi philosophy: "Intense competition isn't just about hacking away at other companies in the industry; it's getting the next new insight that outflanks everyone else. You have to be on top of the next trend."

Enrico blames business schools and corporations for the shortsightedness he sees so often. "Somewhere along the way, we either told people or they surmised that the tools we were teaching were paint-by-number systems and that using these tools in a certain sequence would guarantee success. Instead, the tools are intended to help you gain insight into what you're doing, or help you create a strategy. They're tools, not answers."

Enrico recommends "bundling," combining small initiatives into a large, actionable intervention. He says that great leaders bundle small ideas because most top executives possess an "attention-hurdle rate." Even if a project seems profitable, it might not be "big enough" to convince decision-makers to commit the necessary time and attention.

Enrico wanted to share those lessons with Pepsi's up-and-coming executives. He wanted to help shape the mindsets of the 30 or fewer executives who will lead PepsiCo in the 21st century.

From day one, the nine high-potential executives receive a shock. Typically, they come together in a beautiful, remote location, such as Grand Cayman Island. At the introductory gathering, Enrico unloads a new sense of responsibility on these up-and-comers. He tells them that from now on, they can't look at their company's problems and blame the turkeys at the top. Now, they're one of the turkeys. Most feel privileged to join the club. Still, Enrico's comments turn their job definitions upside-down. For instance, Bill Nictakis, a

vice-president of marketing at Frito-Lay, says, "It scared the hell out of me. All of a sudden, my job wasn't just to manage my volume variance; I had to think about planning strategies for five years from now."

Enrico begins the next day on a cheerier note by reminding everyone that the program isn't remedial and that they were specially selected by their division CEOs and HR heads, with Enrico himself having the final say. "This isn't a feel-good thing," he explains.

The dressed-down Enrico shares his secrets of success and his failures with

the Bermuda-shorted participants. They hear how Enrico learned from his key experiences, including major losses. Enrico has no desire to create clones, so he also uses videotaped interviews of the division presidents to provide contrasting perspectives and to "celebrate different leadership styles." As a reference point, Enrico uses his own parables, woven seamlessly into the personalized change-leadership model. (See the box, "A Teachable Point of View.")

A nickel for your thoughts

On day two, Enrico conducts one-on-one coaching sessions with participants. He opens with, "It's your nickel. What do you want to talk about?" At first, the seemingly unstructured sessions throw some people off balance. But Enrico maintains a supportive atmosphere, giving participants a sense of ownership for the agenda. "He doesn't play the chairman role," says Bill McLaughlin of PepsiCo International. "He's very much a supportive consultant and coach."

The discussions range from business-building ideas to career planning to self-improvement plans; no subject is taboo. Despite Enrico's laid-back manner, the meetings are not easygoing. An aggressive listener, Enrico digests everything that participants tell him, and he enthusiastically jumps in to help solve problems and to challenge people to stretch. "He's riveted on what you're saying," says Nictakis. "He may blast you apart after you say it, but he takes the time to internalize your opinion and perspective."

In an afternoon activity, participants begin charting a vision for their personal change initiatives. The key is to string a series of small ideas into a bigger, "truly transformational" idea—as when Peter Waller—senior vice-president for Kentucky Fried Chicken, a PepsiCo division—brought his idea for a family-meals campaign to the program. During his tenure as marketing director for KFC Australia, Waller noticed that families were ordering four value meals at a time. So, he had the idea to bundle the meals into a combination with enough variety for one family. Waller's feedback during the program enabled him to develop the idea into a broader strat-

egy. He arrived with binders of data and neatly packaged market projections but never found a reason to dig them out of his briefcase. The program challenged his thinking and inspired him to develop the appropriate language for an international rollout.

During the program, Enrico facilitated hours of discussion among participants, prodding Waller with such questions as, "How do you develop a vision?" "How do you bring an idea alive in people's minds?" "How do you bring in the key constituencies to make change happen?" The simple slogan that emerged, "Take back the family," traveled the globe and led to the creation of KFC's Mega-Meal.

Bogeying, bonding, and building

After three days, participants take off an afternoon to relax. The recreational activities are orchestrated by Enrico to create bonding opportunities. Whether it's snorkeling or taking putting lessons from a pro golfer, the executives show aspects of their personalities that don't come through during work hours. This builds cross-divisional networks that last long after participants leave the program. "It starts opening people's eyes to resources around the system," says McLaughlin.

Participants spend the last two days developing their big "business-building ideas" before returning to their divisions. They know that they're responsible for advancing their ideas as far as possible toward implementation. Enrico also challenges them to make their ideas a top-five divisional priority before they return for the follow-up workshop. This "project work" focuses participants' attention and energy, and enables them to practice the principles learned during the first session.

Vince Gennaro, a business-unit general manager, says, "Working on the project during the interim period took the change-leadership model off a theoretical plane and made it real. I wasn't using business-school models

■ *Participants are challenged to make their ideas a top-five divisional priority before they return for the follow-up workshop* ■

and methods to solve abstract case studies; I was working on a real problem and solving it the Pepsi way."

Enrico doesn't disappear while the participants are working on their projects. He's available for coaching, but he monitors everyone's progress from a distance. When asked, he serves as a mentor and "network helper"

to help participants access key people for implementing their projects. When one participant needed to talk to Pepsi's biggest franchise owner, Enrico made a call that ushered the participant into the franchisee's office the next week.

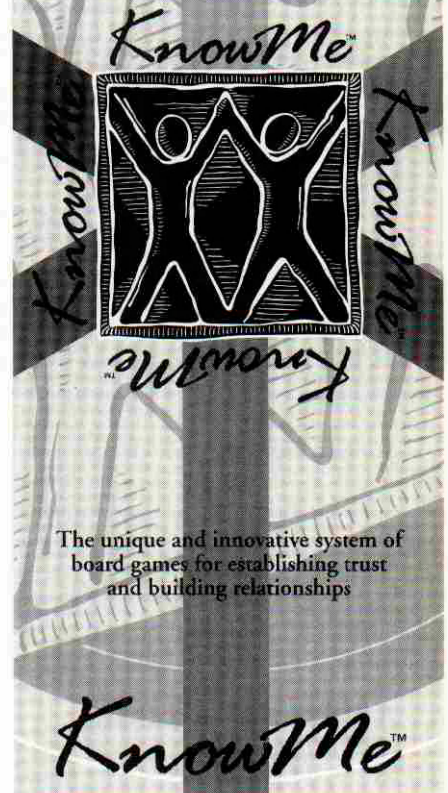
After three months of trial and error, the executives go off-site again for a three-day, follow-up session. They discuss what they learned while trying to implement their projects and to scrutinize the change-leadership model's strengths and shortcomings. Enrico pushes participants to examine their recent successes and failures in trying to apply the model. He also facilitates discussions that enable them to learn from each other's experiences. Enrico himself is open to changing his model to accommodate participants' new learning. In addition, Enrico is exposed to the unique talents of Pepsi's top executives, which proved invaluable when he was asked to head PepsiCo Restaurants International. He knew from the program who could help transform that division and who he wanted on his leadership team.

From the participants' point of view, the program is a watershed in their careers. Afterwards, they view their jobs differently, and they gain a sense of inclusion in the company. Their positive experience translates to more commitment. Says McLaughlin, "It builds loyalty and trust, certainly more effectively than compensation packages and golden handcuffs." The increased commitment, in turn, helps participants foster long-term perspectives on their roles at Pepsi and their responsibilities as good leaders.

Nictakis says, "I'll always realize that the true measure of business-

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people isn't what they deliver when they're around but what they leave behind when they're gone." Such attitude changes translate to more continuity at the division level. Pepsi transfers high-potential executives about once every three years. That kind of rapid turnover endangers the completion of critical projects. But if executives focus on leaving a successful legacy, they're more likely to find others to follow through with projects after they're gone.

Some people may dismiss Pepsi's development approach as too soft to affect the bottom line. But remember Waller's Mega-Meal campaign? KFC experienced a double-digit revenue increase in all major markets thanks to his idea, just one of 81 projects that Enrico shepherded through the program in the first year. He and Russell say that credit for any revenue increases should go to participants and their divisions. But Russell also says, "There's no doubt that some of the biggest business ideas that Pepsi has had over the past year have been strongly influenced by the program."

A hard act to follow

The "Building the Business" effort has set a new standard and role model for other development programs at Pepsi. Executive-led development and coaching have started to spread as other parts of the organization recognize their own power for delivering business results through developing their leaders. Pepsi is also attacking executive development from a functional perspective, with such programs as the "Human Resources Leadership Forum."

The HR program highlights the potential of executive-led initiatives for creating alignment around an organization-wide vision. Pepsi veteran and newly appointed senior vice-president of personnel, Bill Bensyl, aims to use the program as a platform for communicating his own leadership agenda. Bensyl—who continued the program begun by his former boss, Roger King—has added his personal stamp. He wants to leverage the program to formulate a vision that will take Pepsi into the future. To that end, he asks participants to write a one-page story set in 2000 that describes what Pepsi did after 1995, to make it the most-ad-

mired company in the world. Bensyl leads the three-day sessions and sits through every discussion. "These programs are about coming up with solutions to organizational problems while you're developing people," says Bensyl. "We want people to have the opportunity to talk about what we're not doing as an HR function. But I also want that to be only 10 percent of the activity. The remaining 90 percent should be finding the solution."

Bensyl says that executive-led development is having a big impact on PepsiCo's culture. But he also concedes that it's far from an institutionalized practice. The first phase involved the historical approaches of cross-divisional transfers and stretch assignments. Bensyl says that Pepsi

■ *If executives leave a successful legacy, follow-through by successors is more likely* ■

has entered phase two, now that it has realized that it puts people at risk to give them responsibility without the proper tools. So, Pepsi has developed cross-divisional strategies for training and development.

Now, the challenge is to reach phase three in which the business units will embrace executive-led development and begin their own programs. PepsiCo has already taken the first step toward that vision by enlisting all of its division presidents to run independently one of three upcoming leadership-development efforts. The program—which covers such topics as vision setting, organizational alignment, and integrity—will be based on the division presidents' unique perspectives and experiences, in much the same way that Enrico's program was designed. Russell, who personally visited each of the executives, says that this is the beginning of a shared vision of what executive development should be about at Pepsi.

One of the few question marks remaining about Pepsi's initiative is how it will handle spreading the leadership-

development message to lower levels within the organization. Most participants in the "Building the Business" program bring back the change-leadership model to their divisions, but they rarely lead their own workshops. It's too early to tell whether inviting the "right" people to programs led by senior executives will cascade a new emphasis on people development down through the organization, or whether the corporate office will have to step in to push down the message.

In either case, Pepsi's top executives clearly recognize the importance of leadership development for continued growth. For HR specialists, both within Pepsi and those seeking to learn from Pepsi's example, the implications are as follows:

- ▶ The agenda for leadership development starts with capital markets; they determine the targets for growth and return-on-net-assets.
- ▶ Leadership development is a competitive advantage; it must be line-owned and leader-driven.
- ▶ HR people must lead the leaders. They must help them articulate their teachable points of view, commit their time, create action-learning projects, design the social technology of delivery, and coach the coaches.
- ▶ HR professionals must be able to identify resources and people at all levels with the personalities, experiences, interpersonal skills, and internal respect required to lead this type of program.
- ▶ Programs across different divisions and levels of the organization must be integrated so that the collective effect builds the organization's culture in one direction. ■

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