

January 2013

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Recommended Citation

Barrett, Paul T.; Haug, James C.; and Gaskins, John N. (2013) "An Interview on Leadership with Al Carey, CEO, PepsiCo Beverages," *Southern Business Review*. Vol. 38: Iss. 1, Article 5.
Available at: <https://digitalcommons.georgiasouthern.edu/sbr/vol38/iss1/5>

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An Interview on Leadership with Al Carey, CEO, PepsiCo Beverages

Paul T. Barrett, James C. Haug, and John N. Gaskins

How does a leading executive in today's complex business world go about creating a climate of effectiveness and innovation? A good candidate for providing valid insight into this issue is a gentleman who has served as a high-level corporate officer at a well-known international company, Mr. Al Carey. As immediate past president and chief

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executive officer, Mr. Carey led PepsiCo's Frito-Lay North American Division of snack and convenience foods—the company's largest producer and most profitable operating division on this continent. Mr. Carey previously served as president of PepsiCo's successful Power of One Program, a cross-divisional customer-service strategy that leverages the combined strengths and capabilities of all its businesses under a unified approach to serving customers. He is currently CEO of PepsiCo Beverages, the single largest entity under the Pepsi umbrella of companies.

To illuminate the strategies and leadership-related activities he implements at one of the world's most-recognized international firms, the following interview with Mr. Carey covers four distinct areas of specific significance to modern leaders: 1) The concept of "speed of trust" and how this affects both internal teamwork and external alliances; 2) How a leader's "coachability" helps in developing both

knowledge and talent; 3) A global firm's ability to incorporate environmental sustainment as a key factor for success; and 4) The manner by which innovation creates value for all stakeholders, especially customers.

The "Speed of Trust"

As they conduct their daily lives, people place an extraordinary amount of trust in every person they encounter. They trust that drivers will remain in the proper traffic lanes on the interstate, that elevators will ascend and descend safely, and that their children will come home from school every day unharmed. Every working individual conducts countless daily business transactions which are largely dependent on trusting both internal team members (such as employees, supervisors, and management team members) and external stakeholders (such as customers, and supporting partners).

Interviewer:

In his landmark article two decades ago, Butler (1991) addressed extant conditions that can lead to trust. These conditions were *availability, competence, consistency, discreetness, fairness, integrity, loyalty, openness, promise fulfillment, and receptivity*. More recently research has examined and supported Butler's work in different settings including Li's (2013) look at relational trust and Olson and Olson's (2012) study on virtual team trust. Mr. Carey, based upon your experience at Frito-Lay and PepsiCo, which of Butler's ten conditions seem most relevant, and why?

AC:

When it comes to trust, character, and competence are important components. Character comprises several of the conditions you mentioned. For example, I would say that character involves fairness, integrity, and openness. It goes back to the old saying, "They don't care how much you know, until they know how much you care." How much you care is based on character. Leaders must demonstrate over and over how much they care about everyone they come in contact with. This includes customers, employees at all levels, vendors, consultants, supply-chain partners, and shareholders. With equal parts competence and

character, you have a solid leader.

Interviewer:

Butler (1991) also mentions that critical incidents can lead to *destruction* of trust, and that sometimes power differences can affect reciprocal trust conditions. What challenges have you seen in this regard?

AC:

Command-and-control leadership style is one that is broadly practiced but not effective long term. It is very top down but will not empower employees to own their results. Sometimes, when performance lags, empowering leaders can drift back and forth from empowerment and command and control. When that happens, employees get confused and credibility is lost. No one is perfect, so some small drift can show up, but it has to be mitigated as quickly as possible with a full return to a healthier, more productive leadership style.

Interviewer:

In his book *The Speed of Trust*, Stephen M. R. Covey (2006), suggests that enhancing trust both reduces time delays for success and also cuts costs, for example, unneeded due diligence. The *Speed of Trust*[™] as a transformation process based on the book is facilitated by FranklinCovey to change the

nature of how work gets done and transform the trajectory of an organization that implements its culture change methodology. Transformation takes place in two fundamentals: helping all stakeholders at all levels embrace and enact behaviors that increase trust; and enabling organizations to institutionalize trust as a critical competence to compete in the global economy. What examples come to mind internally within PepsiCo that might illustrate the effectiveness of the "speed of trust"?

AC:

I have worked directly with Stephen M. R. [Covey], and his work in *The Speed of Trust* is very effective. We implemented "speed of trust" at Frito-Lay, and it worked well. One example of how this worked: when our team trusted each other, we dealt with disagreement and conflict more effectively. We didn't take disagreements as personal but dealt with these debates effectively. We learned to deal with conflict straight up and avoided any incidence of back-door politics. I can remember one time when I refereed a conflict between two department heads during a meeting. They began to disagree on a marketing plan, then apologized for their disagreeing in front of the group. But I stopped them and said that was exactly the right behavior

and that the conflict was totally appropriate and that I would rather have this item resolved than see back channel politics. We didn't let it go underground, and we eventually arrived at a viable solution. That built trust and skill sets to drive the mission of the organization. It was a great experience for the group to understand that conflict resolution can be more efficient when it occurs in the open.

Interviewer:

Organizational trust is often enhanced by establishing transparent metrics and rewarding behaviors that help reinforce trust. What story or example comes to mind that might illustrate the building of organizational trust, or trust with an external alliance?

AC:

We value our partnership with Kroger, the popular and growing food chain. Kroger has been a great partner with the PepsiCo product lines, and we wanted to enhance this relationship every way possible. We (at Frito/PepsiCo) participated in a "speed of trust" series of workshops with Kroger personnel, and all of the metrics, including business volume, went up for each organization. Several years later our relationship with Kroger is one of the best we

have with a customer. We are very open in areas of disagreement, and we encourage each other to deal openly with conflict resolution. We act as if there is one company that we jointly operate, the Frito Lay/Kroger Company.

The CEO Coachability Factor: Breaking the Glass Ceiling on Leadership

George, Sims, McLean, and Mayer (2007) made the argument that effective authentic leaders realize that they have to be willing to receive feedback from relevant stakeholders, carefully processing that feedback and responding to it, even the kind of feedback that they may not want to hear. In this regard, it is a glass ceiling of sorts. Further, it is this aspect of leadership that refers to CEO coachability.

Mitteneess, Sudek, and Baucus (2010) indicated that coachability can even mediate the relationship between the leader, particularly entrepreneurial leaders, and investors' evaluations of organizational funding potential.

Interviewer:

Having been a leader and worked hard at developing the leadership talent at all levels at both PepsiCo and Frito-Lay, how important do you feel coachability is for you, for

any CEO, and how, in your opinion, does it relate to leadership effectiveness?

AC:

No matter how experienced an executive is, no one knows it all. We have towering strengths perhaps, but also weaknesses which create "blind spots." We should ask questions more frequently and ask for feedback even from our own staff. And having a coach is a good idea. Coachability infers the ability to openly seek and receive feedback for the purpose of learning new skills and enhancing existing skills. But it all starts with how coachable they are. Related to leadership development, the greater the coachability factor within the individual, the greater the height of leadership they can reach in the organization.

Some researchers insist that humility is part of coachability, particularly as it relates to leadership effectiveness. For example, Collins (2001) talked about the importance of humility in Level 5 leadership. In essence Collins suggested that it is the combination of the seemingly opposite traits of personal humility and unwavering professional will that transforms *good* leaders into *great* (Level 5) leaders.

Interviewer:

What types of experiences can you point out that support or dispute humility as an aspect of becoming CEO and then laying out and carrying out an effective plan for the future growth of PepsiCo?

AC:

Low levels of humility indicate that CEOs believe the job is about them. This belief will run as an undercurrent throughout all decision making. In addition, it is a sticky, non-productive false belief. It turns off the rest of the stakeholders. On the other hand, high levels of humility indicate that the CEO believes the job is to support everyone else in the organization and everyone the organization is lucky enough to touch. By stating the words “support” and “touch,” I mean “serve.” A CEO serves the stakeholders—period. Your primary responsibility as a leader is making sure the strategy is set and then your role is to serve your people and remove obstacles so they can achieve the strategy.

Interviewer:

In their article, “Perceived Integrity of Transformational Leaders in Organizational Settings,” Parry and Proctor-Thomson (2002) suggest that how employees, customers, and vendors perceive the integrity of the CEO affects

the success of the organization. These researchers contend that, just like humility, integrity is inherent in coachability as it correlates to leadership effectiveness. Do you agree that integrity is integral to leadership effectiveness, and can you provide any specific examples of how you have instilled stakeholder confidence in your integrity as the CEO of Frio-Lay, and currently as CEO of PepsiCo Beverages?

AC:

Integrity is a requirement for the job. The greatest mentors to me personally have all been individuals of extraordinary integrity. But let’s break this value down some to fully grasp what it means. A leader who speaks candidly will be respected by others. Integrity means you can be counted on to do the right thing. Integrity is the basic platform for leadership. And by the way, the biggest, most profitable deals I have ever initiated as CEO were executed with a handshake. Handshakes are a level higher than the actual contract that is always formed post handshake or [after a formal] commitment. This is true because the contract will only be sustained when the leaders who sign the contract, first with a handshake and later with a pen, have integrity. Their word is worth more than any contract.

Interviewer:

Coachability appears to be an important component of leadership effectiveness. In the past, you indicated that an executive coaching process is prevalent at Frito-Lay for developing and unleashing talent in your company. Can you share any examples where your executive coaching program succeeded, and maybe even failed, to bring developing leaders into their full potential? How was the coachability factor on the part of the coachees a part of the success or failure of their growth path in leadership development?

AC:

I have invested in executive coaches for many employees to help them develop their skills or correct behavior. They usually feel grateful for the investment in their development. They thrive with constructive feedback, and they see the feedback as a gift, a gift that for them points to a path for skill-set development. Unfortunately, at about a 10 percent level, some coachees lack the ability to listen to the feedback, and I can say that I had an executive coach once a week for about two hours for many years. She was the confidential guide for a lot of what I learned and a terrific facilitator in how I opened up to new possibilities and new paradigms, and yet stayed

grounded in values that underlie my desire for long-term effectiveness. She just retired and closed out our long standing relationship by telling me that I was better than ever, an exceptional leader, and I made observable progress. The feedback allowed me to grow as a person, not just as an executive. I plan to honor her coaching over the years and her closing sentiment. Finally, in addition to my coach, I have always found that round tables, day-long talks with the front-line employees, are a great coaching tool. I like to ask them what I could do to improve our company. This type of feedback is valuable and when you act on it you can gain credibility and loyalty.

Global Competitiveness Through Environmental Sustainment

As far back as 1983, the World Commission on Environment and Development emphasized that effective sustainment included forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs. Further, the commission stated that sustainment was comprised of dynamic processes that enable all people to realize their potential and to improve their quality of life while simultaneously

protecting and enhancing the earth's life support systems.

Sustainable developments are those which fulfill present and future needs while [only] using, and not harming, renewable resources and unique human-environmental systems of a site, such as air, water, land, energy, and human ecology, according to Cooperrider and Laszlo (2012), Keitsch (2012), Rosenbaum (2009), and Volkova, Jackobsone and Petersons (2011). Development sustainability also examines its impact on other, off-site sustainable systems.

Interviewer:

Mr. Carey, how is sustainability defined within your organization?

AC:

The push for sustainment is about society, environment, and talent. And any effort that ignores one of the three components is simply not sustainment. And what this is all about ultimately is behaving in a way that leaves the neighborhood better than how we found it, while protecting resources so the next generations in society have the same or better benefits than we did.

Interviewer:

There have been numerous propositions

about the "purpose" of a firm's existence; these range from Friedman's (1970) stance that all companies exist to maximize profitability, to maximizing shareholder wealth, to meeting the triple bottom line of environmental, social, and economic demands. What is the process in your organization for selecting sustainability projects? What criteria are used in the decision-making process?

AC:

We consider PepsiCo Chairman and CEO Indra Nooyi's leadership on "Performance with Purpose" a model for being socially responsible amongst for-profit corporations. Of course, we recognize the "profit" side of sustainment in this initiative because public companies need to make money for their shareholders. I have found our employees are proud of the fact they are working in a company that is a responsible leader in protecting the environment.

Interviewer:

What metrics do you use to gauge progress and/or success?

AC:

At Frito-Lay, we used metrics that defined water savings and electricity savings. For example, at our Arizona plant, we invested in what we thought was

[going to be] a more long-term positive environmental impact by re-tooling the plant with solar energy. But the reduction of costs and emissions had a more favorable impact almost immediately. This was a great project for learning for us. We have lined up each of the other plants to follow suit in the same format as our Arizona plant.

Interviewer:

How does the move towards healthier formulations of products relate to sustainability?

AC:

Human sustainability is important. We believe that we can make our product portfolios healthier for consumers. As such we have made significant investments in research and development that will yield products with little or no sugar and less sodium and saturated fat. We will continue to invest in developing healthier snack foods and beverage products.

Interviewer:

Mr. Carey, how did you go about implementing needed changes within Frito-Lay once they were identified?

AC:

If we identified a change process related to products, we performed consumer taste tests related to those prospective enhanced or

new products. Then when we [later] needed new plant processes for these products, we invested the capital to make the transition. For example, in one such wave, we transformed 36 plants to get them ready for the changing product offerings. One such transformation in terms of products related to artificial colors and flavors being removed from 50 percent of the product line. We also identified changes to the supply chain that were needed in this effort and worked with our internal transportation people and external partners to complete the transformation. This was a big task, but one that did not impact consumer taste tests; it raised healthier standards in the products and did so with environmental upgrades in progress.

Creating Value by Maximizing the Effectiveness of Innovation

Thousands of business students have been exposed to PepsiCo's diversification strategy through a 2008 case study presented by a University of South Alabama professor and author in his textbook, *Essentials of Strategic Management: The Quest for Competitive Advantage* (Gamble & Thompson, 2011). The following interview questions are based upon this case study and relate to

the creation of value through maximizing the effectiveness of innovation.

Interviewer:

In an effort to develop innovative product reformulations to create "good-for-you" healthier snack foods, what leadership and awareness programs did you find useful to harness the energy of your staff and partners?

AC:

We started with consumers, first and foremost, but, yes, we did use our employees and customers as sounding boards as we closed in on the implementation. You can't get enough feedback, and the additional feedback from customers and employees almost always makes the ideas better.

Interviewer:

The highest rate of growth seems to be within the international marketplace. At Frito-Lay, how did you collect data on consumer taste preferences in other countries to enhance adoption of alternative flavors and seasoning?

AC:

It's collaboration between global and local resources. We leverage the good technologies of the bigger world-wide company, but we also listen very carefully to the local leaders in each part of the world so

that we meet the needs of the local people. Again, we listen to customers and employees in those different parts of the world to develop terrific products that meet local needs.

Interviewer:

Value-chain knowledge transfer seems to exist within the PepsiCo family with respect to corporate-wide purchases, marketing innovation, and ingredients R&D. How does PepsiCo management facilitate the sharing of “best practices” so that all may benefit from innovation?

AC:

We have a matrix that allows global groups, business sectors, and functions to collaborate to allow us to move best practices around the world. This matrix can be complex to manage, but without it, it becomes very difficult to leverage the scale of the company and also win locally. We call transferring best practices... “lift and shift.” The new structure helps us tremendously.

Summary

Al Carey is an effective 21st century leader. Part of the anatomy of an effective leader is behavior emanating from neurological pathways that develop when that leader holds the belief that character and competence are prerequisites for trust. Further, the evolution of leadership

strategies has seen a transition away from the historical command-and-control leadership style, primarily due to its long-term ineffectiveness. Where only the strong survive, effective leaders focus on servant-hood and mutual opportunities that resolve conflict at the point of contact. In this regard, the effective leader is data driven and implements robust survey programs that help inform and reinforce partnerships with stakeholders.

Mr. Carey clearly indicates that effective leaders are open to feedback and are thus “coachable.” They demonstrate authentic and pervasive humility and serve the stakeholders and routinely honor the integrity of a handshake agreement; however, leaders who are low on the “coachability” scale ignore feedback, especially from their executive coaches and front-line staff, and will not develop full leadership skill sets.

Mr. Carey also believes that sustainability touches people, the planet, and profits with positive results. Environmental gains can be measured through a number of metrics and can be achieved in both the short and long terms. Wellness is fostered through offering healthier products created through enhanced processes that are themselves better for consumers, the

manufacturer, and its supply-chain partners. Keeping a focus on the well-being of its current and future stakeholders throughout all of its processes positions the organization to enhance trust.

It is particularly enlightening to learn that, according to Mr. Carey, customer survey results can directly impact innovation, and that the slope of innovation is increased with programmatic organizational culture efforts such as FranklinCovey’s “speed of trust” training. In today’s fast-paced business climate, best practices for effective leadership are enhanced through leveraging technology, which provides an assortment of effective communication channels for disseminating tomorrow’s most successful ideas.

Acknowledgment

The authors express their sincere thanks to Mr. Al Carey, CEO of PepsiCo Beverages, for sharing his vast management knowledge and valuable lessons learned for this interview.

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