



BS3100 Strategic Management

Executive Summary

PepsiCo are strongly involved with its stakeholders and aims to continue the successful working relationships. Organisational culture is based on values and guiding principles and strong emphasis is placed on its people. Through both its stakeholders and its organisational culture, PepsiCo believes this will help achieve their strategy of sustained growth.



BS3100 Strategic Management

Introduction

Before dealing with the organisational context of PepsiCo's stakeholders, it is useful to provide a definition of this term. Stakeholders can be defined as groups or individuals who hold an interest in an organisation to further their own goals, but also where the organisation, in return, is dependent on those groups or individuals. This may be seen as an inter-dependent relationship. Both will have an interest in the success of the other which in turn, will help deliver intended results for both parties.

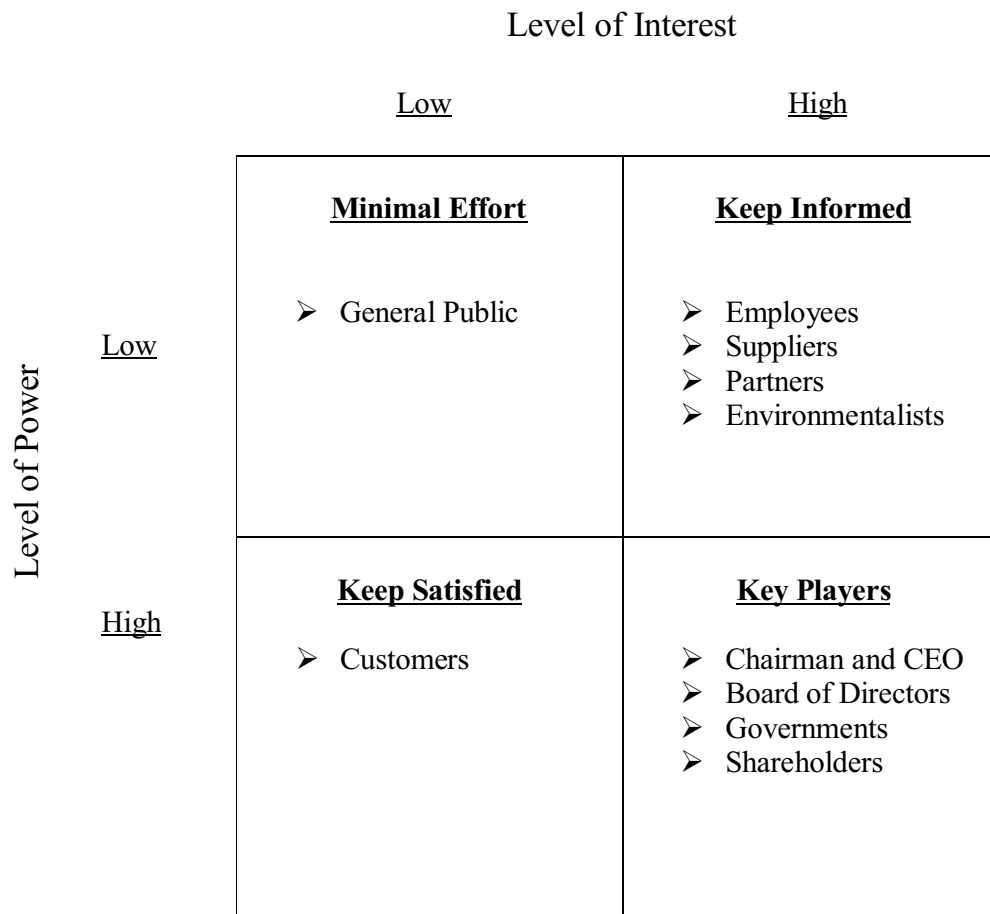
When examining PepsiCo it is important to acknowledge that the organisation has many internal and external stakeholders. These stakeholders can vary from those with minority interests, such as members of the public, to major stakeholders, such as the Chief Executive Officer. It is unlikely that minority stakeholders will have a significant degree of influence in the firm's strategy. Instead, it will be the major stakeholders who are able to influence the organisation's strategy.

BS3100 Strategic Management

Below is a diagram of the Stakeholder Mapping: Power/Interest Matrix (*figure 1*). This concept is being used to demonstrate the level of interest and influence from the different stakeholder sector.

Stakeholder Mapping: Power/Interest Matrix

Figure 1



The diagram illustrates the major stakeholders in PepsiCo are the CEO, the Board of Directors, and the shareholders. It may also be argued that national Governments of where the firm operates are key stakeholders, as a change in legislation that impacts the firm, may require it to alter its strategy within that particular geographical location.

Major stakeholders can also be termed “Key Players”. They hold the highest level of influence in the organisation and have the power to change the company’s strategy. Each “Key Player” will be involved in any change to the firm’s strategy and each may have differing views depending on their own long/short term goals. Taking into account ideas and aims of stakeholders is important and is certainly demonstrated by PepsiCo who state that listening to their stakeholders is vital to their success and enables them to move forward with their strategy. PepsiCo have acted on



BS3100 Strategic Management

recommendations from their stakeholders including the adoption of the Global Reporting Initiative and recycling initiatives. Through this relationship with its stakeholders, PepsiCo continues to forward its strategy.

The second point of this question requires the examination of organisational culture. This can be defined as the views and beliefs shared by people within the organisation and which is the driving force of the company. It has been stated by Schein¹ that organisational culture can be defined as the “*basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken-for-granted fashion an organisation’s view of itself and its environment.*” Gerry Johnson² argued that it is through the organisation of a culture that its strategy is moulded.

With specific reference to PepsiCo, the firm has shown the importance of its organisational culture. While the organisation clearly states its aspirations to be the world’s premier consumer products company, it also enforces that its culture will be one of honesty, openness, fairness and integrity. The firm highlights within its Values Statement that they are committed to “*deliver sustained growth, through empowered people, acting with responsibility and building trust.*”³

In order to achieve sustained growth, it may be argued that a significant aspect of the firm’s culture is its diversity. This can be shown through PepsiCo’s entry into markets, other than its leading Pepsi brand. While building on their portfolio of beverages⁴, the firm has also entered the food market with its Frito Lay and Quaker brands. PepsiCo is also the owner of Walkers Crisps in the UK, and has shown to have successfully entered the ‘evening snacks’ market.

The success of these brands has demonstrated PepsiCo’s culture of commitment to growth and expansion of the organisation on a global basis, thus moving forward with the company’s strategy and not being averse to the risks of entering a new market.

However, it is also part of PepsiCo’s culture to produce products of the highest standard. The organisation emphasises as part of its commitment to growth that it should only sell products they can be proud of. This aim is filtered through each of the company’s departments. It is through this type of organisational culture that PepsiCo can help grow its market share and this is represented in the firm’s established Guiding Principles; (i). Care for customers, consumers and the world we live in; (ii) Sell only products we can be proud of; (iii). Speak with truth and candour; (iv). Balance short term and long term risks and benefits over time; (v). Win with diversity and inclusion and; (vi). Respect others and succeed together.

Perhaps the most revealing fact of PepsiCo’s culture is its vision. This is encapsulated by the “>” symbol which signifies more or better than. For PepsiCo, it is this symbol which encapsulates the firm’s vision and strategy as it represents their culture of

¹ *Organisational Culture and Leadership*, 1992, p6

² *Strategic Change and the Management Process*, 1987

³ *PepsiCo annual report 2004* p25

⁴ *PepsiCo is also the owner of Tropicana, 7-Up and Aquafina.*



BS3100 Strategic Management

making “*Tomorrow better than today.*”⁵ This vision is applied in a sustained aim as the firm has stated that it is their responsibility to “*continually improve all aspects of the world in which we operate – environment, social, economic – creating a better tomorrow than today.*”⁶

On a daily basis, the organisation culture of PepsiCo does seem to represent its future vision. The culture of the workforce is geared towards helping employees reach their full potential. The firm prides itself on growing talent from within the company and promotes a culture of freedom to act and think in ways that will help the organisation get the job done, while being aware of the rest of the company’s needs. While the firm seeks to reward its employees through promotions and other incentives, it also promotes a culture of inclusion by allowing everyone to reach their potential in order for the best ideas to come forward.

Another example of PepsiCo’s organisational culture is its drive for innovation. The organisation places great emphasis on innovation, whether this is achieved by introducing new flavours in their snacks (eg. launching the Doritos a la Turca chips in Turkey), or launching more nutritional products such as Aquafina, so as to accommodate a more health-conscious population. Through this organisational culture, PepsiCo is working towards achieving rather than constraining its strategy.

⁵ *PepsiCo annual report 2004 p24.*

⁶ *As above*



BS3100 Strategic Management

Conclusion

It is through the type of relationship with its stakeholders and the organisational culture of PepsiCo that enables them to argue that their quest for sustained growth will be achieved. One can certainly suggest that the firm's proactive approach with its stakeholders and its culture of innovation, inclusion and openness is helping to achieve its strategy of making "tomorrow better than today."



BS3100 Strategic Management

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BS3100 Strategic Management

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