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# ROGER ENRICO'S MASTER CLASS

**SURVIVING** a heart attack, making a bundle of money – either is enough to get most people thinking deeply about what they want to do with the rest of their lives. By 1993, Roger Enrico had reason to think twice as deeply as the rest of us. The PepsiCo executive had recovered nicely from a heart attack he had suffered a few years earlier in Turkey. And he had made more money from his Pepsi stock options than he knew how to spend. “I was young enough to have a whole other career,” says Enrico, who was then 48 and chairman of PepsiCo Worldwide Foods in Dallas. “I thought maybe I’d just go over to SMU and teach.”

That’s not what CEO Wayne Calloway or Enrico’s friend Joseph McCann, senior VP for public affairs, thought. If Enrico was set on teaching, they argued, he should stay at PepsiCo to instruct the company’s next generation of leaders. Calloway needed a teacher like Enrico. He felt that PepsiCo’s 37 – year record of double-digit growth was in jeopardy without high-energy leaders who could keep expanding the business. Calloway had identified a crisis as early as 1990. But PepsiCo’s division presidents didn’t rush to respond; indeed, they routinely saved half or more of their money

earmarked for leadership development and used it to fatten year end profits. In 1991, in a relatively intrusive move by PepsiCo standards, Calloway openly criticized the presidents for not spending their development funds. He argued passionately that they were missing the opportunity to build the company’s future.



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**BY**  
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AND  
CHRISTOPHER  
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Around the same time, Calloway told Paul Russell, PepsiCo's director of executive development, to go out and create "the world's leading executive development program." Russell studied leadership programs at other companies, read books by Harvard's John Kotter, and met with consultants. Then one day a Pepsi colleague casually said, "Did you know Roger Enrico was thinking of doing something like this?" Recalls Russell: "I had a structure in search of a guru. When Roger got involved, it went to a whole other plane."

That it did. But not right away. In late October 1993, with the pilot program just five weeks off and the design still incomplete, an anxious Russell accompanied Enrico, now PepsiCo's vice chairman, on a business trip to Spain and Portugal. The moment of truth came in the third-floor conference room of the Hotel Villa Magna in Madrid. As Russell talked about his plans for the program, he saw Enrico's enthusiasm drain away. Enrico wondered why he should lead a program based on professors' models and other companies' experiences. Why not just bring in the B-school guy to teach it? Because, said Russell, PepsiCo people didn't want to hear consultants tell stories from other industries. They wanted to hear about Enrico's experiences and insights. The glint in Enrico's eyes returned. Recalls Russell: "He picked up three or four inches of files, including Tichy's and Kotter's, and said – as he dropped everything into the garbage can – 'Then I guess we can deep-six this stuff.' We almost literally started from scratch."

## CAN YOU DEVELOP LEADERS?

- **Do you have a teachable point of view?**  
You must have a personalized, teachable view on (a) leadership, (b) growing the business, and (c) creating change.
- **Will you spend the time?**  
You must be prepared to commit one-half to one-third of your time to the development program
- **Are you a vulnerable role model and coach?**  
You should be a learner open to new ideas and feedback, and a coach who can admit mistakes.
- **Can you create a learning program with real business projects?**  
You need to put people at risk working on business projects that matter.
- **Can you blend the soft and the hard?**  
You have to deal simultaneously with people and hard business issues.
- **Can you energize others as they learn?**  
You must create an emotionally engaging process that encourages participants to take risks and learn from their experiences.

On the corporate jet home, Russell interviewed Enrico about his leadership experiences and observations. The result was a 50-page document that became the foundation for a PepsiCo program called Executive Leadership: Building the Business. It begins with a five-day off-site seminar led by Enrico. For the next 90 days, participants apply what they learn while simultaneously doing their regular jobs and keeping in close touch with Enrico. The program concludes with a three-day workshop in which everyone shares the insights and lessons of the prior three months. Only nine or so people attend each seminar, which allows plenty of one-on-one time with Enrico.

The price of admission to Enrico's course is a business-building idea important enough to be one of the top three priorities of the division. Otherwise, says Enrico, "there's no way to make it happen." He takes participants off-site to help them rethink their role in the company. The very first evening he knocks people off balance by telling them that "nobody in this room can look at the company's problems and blame the turkeys at the top. You're now one of them." During the workshop he uses short presentations, interviews with Pepsi executives, and Socratic dialogue to challenge the students'

fundamental approach to problem solving. He constructs the seminar around his five leadership tenants:

- **Think in different terms.** Leaders must work on big ideas that will drive competition in the future, not the present. Furthermore, says Enrico, "as soon as everyone is on the bandwagon with one growth idea, a leader should be working on

the next one.” He urges his students to be wary of incrementalism; their job is to make big changes to big things. That’s what Peter Waller, KFC’s senior VP for marketing, was trying to do at Enrico’s seminar with his KFC family-meals campaign. While he was director of marketing of KFC Australia, Waller noticed that families repeatedly ordered four of the fast-food chain’s value meals. He had the idea of linking the four meal combinations into one Mega Meal that would offer enough food and variety to suit a whole family.

Waller went to the seminar with a briefcase full of data and market projections. But he barely looked at them. Instead, he received feedback that helped him transform his promotional tactics into a broader strategy for how KFC could recapture market share by linking meal combinations, delivery, pricing, and service. This is a prime example of what Enrico calls bundling, or combining a series of small ideas into a large one. Enrico: “It’s the people who can spot seemingly unrelated things and bundle them together into an actionable proposition who are the great leaders.” Hours of discussion facilitated by Enrico helped Waller devise a slogan – “Take back the family” – that traveled the globe and led to the creation of KFC Mega Meals; the program helped spark double-digit sales and earnings increases in KFC’s major markets.

- **Develop a point of view.** When Bill McLaughlin arrived as president of Gamesa, the ailing Mexican cookie and cracker company PepsiCo bought in 1990, recipes for the same brand of cookies varied by manufacturing site, workers performing identical jobs earned different pay, and competitors were gobbling up Gamesa’s market share. “Every time I sat down with the management group, we had ten different ideas coming from all directions,” says McLaughlin. “Frankly, there were times when I felt like saying, ‘Forget it.’” Enrico helped McLaughlin with a vision statement and a communication plan. Says McLaughlin: “The emphasis Roger put on consensus building gave me more patience

to stick with it and let some of the key people internalize the idea of radically changing the organization and culture.” Enrico pushed McLaughlin to make Gamesa more competitive, and he returned to Mexico with a new aggressiveness. The company began training its employees in quality, implementing productivity bonuses with unions, and investing in new distribution systems. Today Gamesa is one of the few companies that can claim double-digit volume growth while avoiding the layoffs and work slowdowns endemic to so many Mexican businesses.

- **Take it on the road.** Bill Nictakis, a field marketing VP at Frito-Lay, went to Enrico’s program seeking advice for his strategy of moving from salty snacks into broader snack categories. It was a tough sell, given Frito-Lay’s \$16 million write-off of Grandma’s cookies in 1985. Enrico helped Nictakis realize that he would have to win over people he might ordinarily have bypassed if he hoped to use new manufacturing and distribution techniques. Says Nictakis: “I had to really pay attention to what people’s objections were and take them seriously. We spent \$200,000 doing market research that helped refine our thinking.” The payoff: Frito-Lay recently announced a joint venture with Sara Lee to develop, manufacture, and distribute a new pastry line.
- **Pull it all together.** How will your big idea change the company? Let employees know your goals and strategic imperatives. Nictakis created a video that was later turned into an artist’s rendition of the Frito-Lay store of the future. Pulling it all together, says Paul Russell, “is like the final huddle before the final play.”
- **Make it happen.** The best way to do this is communicate, communicate, communicate. Enrico says the single outside prop he uses at his seminars is Martin Luther King’s “I have a dream” speech. “The point is not to make everyone an eloquent orator,” he says, “but to show the power of communication.

It's not just an emotional speech. He's playing to a lot of constituencies."

PepsiCo believes Building the Business is the world's best example of senior leadership development. "This is way to formally mentor nine people instead of one," says Enrico. "I try to talk to these people the way [PepsiCo's former CEO Donald] Kendall talked to me – frankly, openly, matter-of-factly. He didn't pontificate; he told stories. I want to make sure people begin to take the top guys off the pedestal. There's no magic to them."

The most effective leadership development programs have three key ingredients: (1) a proven leader heads up the effort; (2) a small, select group of participants works with the leader over time; and (3) real business projects put participants at risk as they apply what they learn. Calloway is

already pushing PepsiCo's division presidents to improve that formula, even as marketing, finance, and human resources begin their own programs. The demands of simultaneously running a business and developing leaders are immense. But so are the risks of not doing it. PepsiCo's top executives clearly believe that they will limit their growth unless they personally invest in developing the next generation of leaders.

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