



PepsiCo GREAT5: How Competency Models Are Used to Build Leaders

“The search for potential is a challenging one that requires discipline in not letting the ‘I know a high potential when I see one’ mentality win the day.
– Allan Church & Sergio Ezama

PepsiCo is one of the world’s largest consumer packaged goods (CPG) companies. They employ over 290,000 people worldwide,¹ and operate in over 200 countries and territories.² With a team that big, it can be challenging to implement effective employee development programs. At PepsiCo, Allan Church, Senior Vice President, Global Talent Assessment & Development, and Sergio Ezama, Chief Talent Officer, dedicated themselves to doing just that. PepsiCo created a comprehensive leadership development program that not only prepared strong leaders for tomorrow, it also benefited their business today. The company saw lasting behavior change and significant improvements in employee engagement, performance, and promotion. How did they do it? The key lies in an objective, data-driven competency model.



➡ THE PROBLEM

In 2013, PepsiCo set out to address a widespread challenge in business leadership. They recognized the need to identify top talent and develop leadership potential, but potential (unlike performance) is often hard to define and even harder to measure. Allan Church and Sergio Ezama later explained, “The elusiveness of potential (is what) makes it one of the most perplexing issues to solve for: What exactly is potential? How do we measure it? How do we ensure we maximize it when and if we do find it? Clearly, the answer ‘I know it when I see it’ is neither a defensible investment (or selection) strategy nor the best way to manage talent for the future.”³ This problem set Church and Ezama on a mission identify leadership competencies and create a system for talent management. The result was PepsiCo’s award-winning LeAD (Leadership Assessment & Development) program. This program won PepsiCo the 2018 HRM Impact Award,⁴ as well as the ATD 2021 Excellence in Practice Award⁵ among others. Let’s take a look at how they got there.

FUN FACTS⁸

1. Pepsi was once called “Brad’s Drink,” because it was invented by a man named Caleb Davis Bradham.
2. The original recipe for Pepsi (“Brad’s Drink”) included a mixture of sugar, water, caramel, lemon oil, nutmeg, kola nuts, and a few other ingredients.
3. Brad’s Drink was renamed as “Pepsi Cola,” because Bradham believed it helped reduce dyspepsia (indigestion).
4. During the Great Depression, Pepsi made it through by selling 12-ounce bottles for the same price as their competitors’ 6-ounce bottles (five cents) – as a result, their profits doubled!
5. Pepsi was the first soft-drink company to use two-liter bottles.
6. In Japan, Pepsi flavors have included azuki bean, strawberry milk, shiso, cucumber, baobab tree fruit, yogurt, and salty watermelon (the company has experimented with different flavors in different markets around the world, and has offered limited edition holiday flavors).
7. PepsiCo has nearly 500 patents, including one for tennis rackets!
8. Pepsi-Cola was the first American product to be manufactured, marketed, and sold in the Soviet Union.
9. Pepsi commercials have starred celebrities including Michael Jackson, Ray Charles, and Sofia Vergara.
10. Over the last 122 years there have been over 11 Pepsi logos.



ABOUT PEPSICO

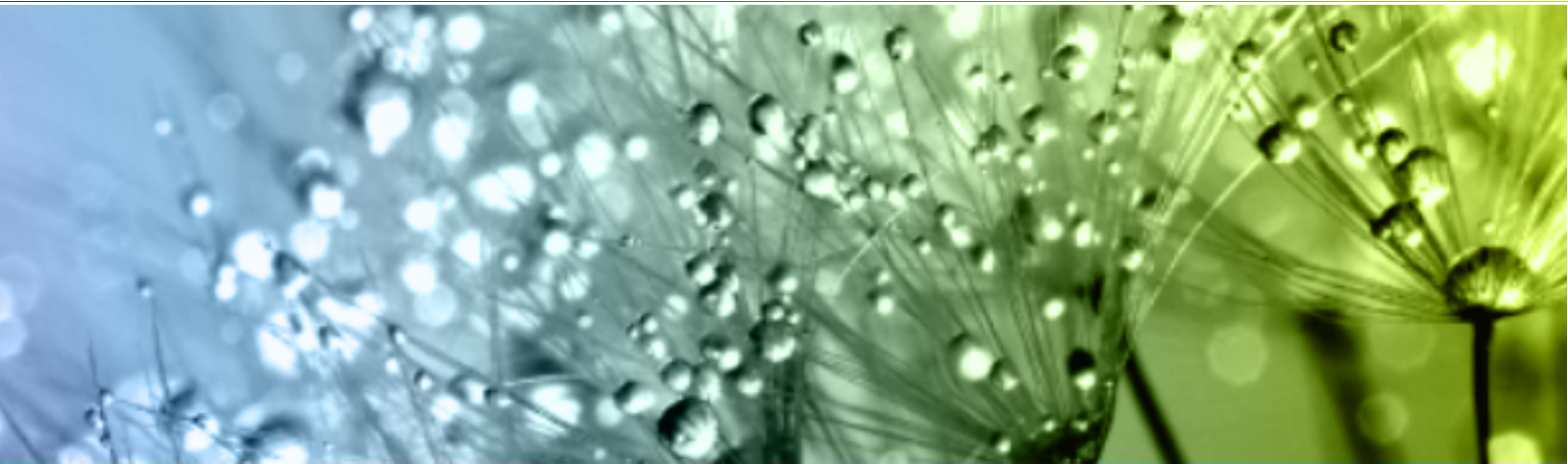
PepsiCo as we know it today was founded in 1965 after a merger between Pepsi-Cola and Frito-Lay. The two CEOs at the time, Donald Kendall and Herman Lay recognized what they called “a marriage made in heaven,” and decided to join forces to deliver “perfectly-salty snacks served alongside the best cola on earth.”² In addition to Pepsi cola and Lays chips, PepsiCo now sells over 50 food and beverage brands including Mountain Dew, bubly, Gatorade, Pure Leaf, Tropicana, Quaker Oats, Rold Gold, Miss Vickies, Sun Chips, Ruffles, Tostitos, Cheetos, Doritos, and Capt’n Crunch.⁷

Today, PepsiCo sells products in over 200 countries and territories worldwide and generates an annual net revenue of about \$70 billion. The company is guided by their vision to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose. “Winning with Purpose,” they say, “reflects our ambition to win sustainably in the marketplace and embed purpose into all aspects of our business strategy and brands.”²

→ THE SOLUTION

In developing their leadership model, PepsiCo took a multidimensional approach. The resulting framework consisted of three core dimensions:⁶

- 1. Foundational dimensions** include cognitive skills (e.g., strategic thinking) and personality dimensions (e.g., interpersonal skills). These are relatively easy to measure (though not always easy to change), and provide the foundation, or “basic building blocks” of potential.³
- 2. Growth dimensions** include characteristics that allow individuals to succeed in new roles, situations, and environments (e.g., agility and motivation). Growth dimensions are generally stable over time, but they can be improved via coaching, training, and development opportunities such as stretch assignments.
- 3. Career dimensions** refer to managerial qualities and functional skills a candidate would need to be successful in a specific context. At PepsiCo, these include leadership skills like inspiring others, collaboration, ethics, and integrity, as well as specific behaviors or capabilities that will drive business growth in the future (e.g., digital fluency and analytics). Career dimensions can be measured through tools such as 360-degree feedback and competency frameworks, and can be developed via mentoring, coaching, training, and opportunities for application.³



PepsiCo's core dimensions are used throughout all the work the company does when assessing and developing future leaders. The dimensions are imbedded in a competency framework called the PepsiCo GREAT5. This model summarizes the top five competencies needed to go from being a good leader to a great leader. The competencies are measured using multi-trait, multi-method assessments, which are transparent to all employees. Assessments include 360-degree feedback, cognitive tests, personality measures, and customized business simulations. Employees' scores on assessments are used to identify talent and guide development in foundational, growth, and career dimensions. Competencies in PepsiCo's GREAT5 model are:³

- 1. Growth** – curiosity and ability to learn from novel situations by constantly pushing outside their comfort zone and helping others to learn and develop
- 2. Relationships** – building and maintaining trusting relationships across organizational boundaries by modeling integrity, transparency, and authenticity, and being respectful and inclusive of others
- 3. Execution** – energy, enthusiasm, and inspiration to motivate others to accomplish ambitious goals, as well as simplifying complexity to drive quality results
- 4. Agility** – adapting one's style and approach to an ever-changing business environment, managing pressure, and embracing and championing change to drive transformation
- 5. Thinking** – bringing and using external insights (business, customer or consumer, industry, global), thinking creatively, and taking long-term and holistic perspectives to make informed decisions

→ THE RESULT

Since the creation of the GREAT5, PepsiCo has been applying their competency framework to offer development opportunities in each of the three leadership dimensions. PepsiCo University was developed to teach leadership and functional skills at the foundational level, and comprehensive coaching is used to develop growth dimensions. For high potential employees, the focus is on career dimensions, and the enterprise talent management center of

MEET PEPSIMAN⁸

Pepsi has a superhero! In the 1990s, Canadian comic book artist Travist Charest designed Pepsiman, a faceless superhero who delivers Pepsi drinks to those in need. The character was commissioned by Pepsi Japan to be used in their television commercials, but became known around the world. Later, Pepsiwoman was designed to market Diet Pepsi Twist, and in 1999, a video game was released in which players had to help Pepsiman through obstacles so that he could deliver drinks to his fans.



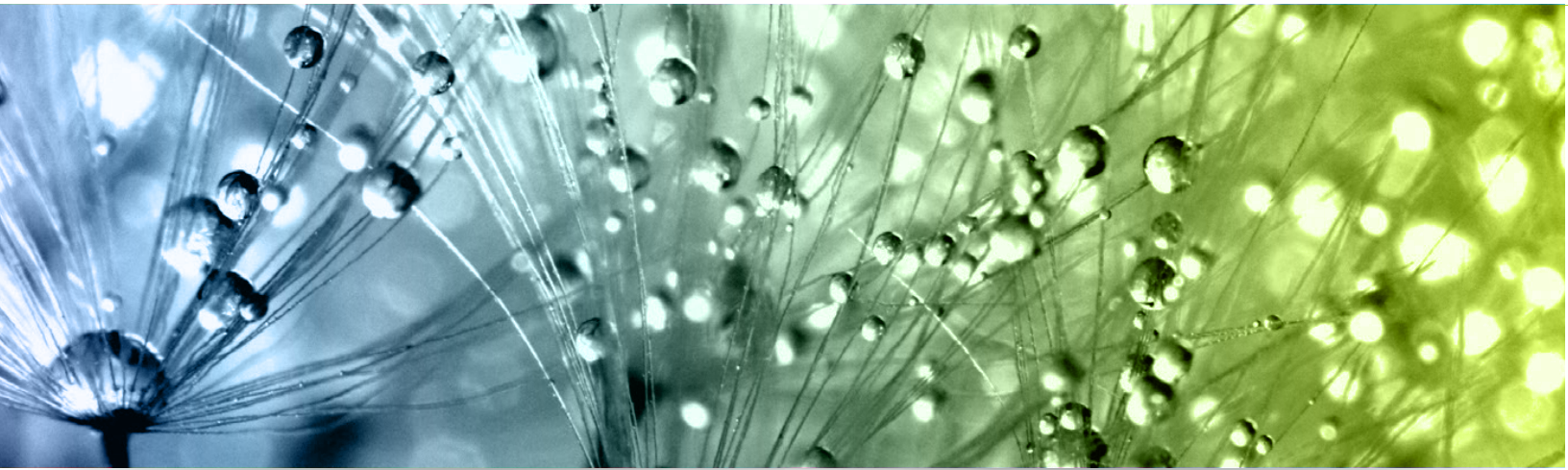
expertise (TM COE) works closely with senior management and HR leadership to create individual development plans for these employees.

To track how effective PepsiCo's new talent management system was, the company measured a few key indicators of success. Results showed astounding progress:³

- **Promotion.** Employees who did better in LeAD³ and met their development objectives were promoted 1.5 to 2.5 times faster than those who did not. Overall, anyone who participated in the program also had a higher likelihood of promotion than those who opted out.
- **Engagement.** All LeAD participants indicated high engagement and felt supported by the organization (82%–92%, by program). Participants also reported significantly more career clarity.
- **Turnover.** No significant differences in turnover (i.e., low-scoring employees did not leave).
- **Potential.** During talent discussions, employees who performed better on LeAD were three times more likely to have their status as a high potential positively re-considered than those without assessment data.
- **Behavior Change.** Individuals who met development goals were more likely to show improvements in their leadership behaviors on a 360-degree survey (rated by managers, peers, and direct reports within 12–18 months).

KEY TAKEAWAYS

1. **LEADERSHIP CAN BE BROKEN DOWN** PepsiCo's LeAD program used a competency model to define different dimensions and sub-skills of leadership. Allan Church and Sergio Ezama firmly believed in the benefit of this approach, stating, "Leadership competencies should be the language of potential and how individuals, managers, and senior leaders talk about talent in a pipeline and succession context."
2. **LEADERSHIP CAN BE MEASURED** The LeAD program measured leadership potential using a multi-dimensional, multi-method assessment process (including 360-degree feedback, cognitive tests, personality measures, and customized business simulations). This approach to assessment is important, because it gives a well-rounded summary of a candidate's skills via various sources and perspectives.
3. **LEADERSHIP CAN BE FOSTERED** More than defining and measuring leadership skills, the LeAD program was created to develop them. Key indicators showed that with targeted coaching and development plans, individuals can improve both their functional skills and their leadership potential.



→ HOW SIGMA CAN HELP

If you're interested in implementing a competency framework at your organization, SIGMA is here to help! We've developed a ready-made competency framework that can be applied in organizations across all industries. This framework will help you identify and develop leadership talent, as well as measure performance along the way. If you're interested in learning more about competency frameworks, check out our website or contact us today. We're always happy to speak with you about what SIGMA has to offer, how SIGMA's competency framework can be mapped onto your own, or any other questions, concerns, or ideas you may have. ■

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