

Pepsicos strategies and problems faced with merger with quaker oats



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EXECUTIVE'S SUMMARY:

A good leadership can lead a company towards a bright future such case is denoted below as PepsiCo being a mega brand in itself but it is also jeweled with a gem called INDRA K NOOYI.

CEO of PepsiCo who is leading the company toward the heights of success. The study below is about one of the important she brought in the company that is " merger with Quaker oats".

Quaker oats being a big brand name in itself was merged with PepsiCo in order to reduce the competition in the market and also to increase its market share and take the benefit of the reputation of the company.

All the strategies and the problems it faced during the merger and the result coming out of the merger.

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INTRODUCTION:

The company was established in 1898 and its headquarter is at New York

PepsiCo Inc. manufactures, markets, and sells various foods, snacks, beverages in the whole world.

PepsiCo is a world head in beverages, food, snacks and home to hundreds of brands around the world. Some of the most popular products are Pepsi, Gatorade, Quaker, Frito-Lay and Tropicana.

LEADERSHIP: TRANSFORMATIONAL

Behind the success of PepsiCo there stands a legend known as Indra. K. Nooyi.

In her long span of leadership she has continuously shown transformational leadership qualities.

Characteristics of a transformational leader:

Create and articulate a vision

Foster a “ buy in” of team goals

May or may not have charisma

Often inspire by expressing rational need for change

Display insight into possible solutions

Have the passion to bring about resolution

Seek to transform or change basic values, beliefs, and attitudes of follower

Articulate a compelling vision of the future

Influence followers by arousing strong emotion in support of the vision

Cultivate follower acceptance of the mission

Have the ability to develop great symbolic power with which follower will want to identify

Serve as mentors to followers. (Vadim, 2001)

And these qualities and characteristics are not possessed by all human beings; these are blessed to a few only

An ideal example of such a leader is:

INDRA. K. NOOYI:

A legend in herself, she is one of the most successful ladies of the era. Not every leader can successfully implement change, change is a very crucial matter to handle and manage.

Role of the leader is to facilitate change that results in better performance. (Stevenson, 2008)

She is behind the unlimited success of PepsiCo.

She joined PepsiCo as the senior vice president of the strategic planning department in 1994 and from there she did the journey and made it to the position of C. E. O through her leadership qualities.

She took the command as a C. E. O 3 years ago and with her arrival as a C. E. O PepsiCo sparkled with the corporate mission of “ performance with purpose” in order to move on together with financial success and social responsibility.

PepsiCo’s emphasis on sustainability of environment is much more appropriate than ever after the arrival of Nooyi as going green is actually helpful in saving money.

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During her long span of leadership she has not changed her leadership style as she believes that the tomorrow's leaders must have different skills from those of past.

It includes:

Capability to work thoroughly with people.

To exhibit emotional intelligence towards employees. (GROUP, n. d.)

Literature review:

Change management:

Change management is an prepared method of transitioning a person, group, and company to the advanced future stage from present. It is aimed at empowering employees in order to admit and hold changes. (Hiatt, 2010)

Change is the demands of the era, as the times is moving on and on changes are needed to be done in order to in the competitive world.

Changes can be done in any area, due to any reason, but it can be for good as well as for bad.

Changes are not always successful and neither is there any single perfect solution or method for it. (Fillicetti, 2007)

Why change?

The environment is changing rapidly due to which the need for change is also increasing day by day, main factors for change are:

New technology:

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Global economy

Changing market requirement

Intense domestic and international competition

New opportunities and threats for leadership

Customer demands

Change is one of the most influencing factors in an organization who wants develop. In fact in order move ahead from others change is a must thing to go for. (Cameron & Green, 2004)

CHANGE MODELS:

Plan do check act model:

Also called PDCA model it stands for carrying out change . just as a circle has no end and should be repeated again and again for continuous improvement.

Plan: plan for changes to bring about improvement

Do: changes on a small scale to try them

Check: to see if the changes are working and to investigate selected processes

Act: to get the greatest benefits from changes. (ABE, UK, 2010)'

Changes should be implemented in this way in order to get success.

LEWIN'S CHANGE MANAGEMENT MODEL:

Source: http://www.flickr.com/photos/david_jones/3350260757/

STAGES OF LEWIN'S MODEL:

1ST STAGE: UNFREEZE

2ND STAGE: TRANSITION

3RD STAGE: REFREEZE

UNFREEZE: this is the first stage of the model where the need of change is recognized and the organization is prepared for the change.

This is the most difficult stage as the organization is compelled to accept the change if they doesn't want also they have to understand the need of change and accept it.

As it is very difficult to break people and change their way of doing or culture in which they used to work

TRANSITION (CHANGE): in the 2ND stage people start accepting and behaving in the new direction and start looking for new ways of doing things. This change from unfreeze to transition doesn't take place overnight but it takes time to happen and people start believing in it.

REFREEZE: this is the final stage of the model where the change start taking shape and it is made sure that the change is utilized properly in every day's work.

The signs of the refreezing stage are stable organization chart, consistent job description etc. it is very necessary to celebrate the change also in order to boost up the morale of employees. (Ritchie, 2006)

This model was used by Nooyi for the changes she introduced in PepsiCo

ANALYSIS:

LEWEN'S MODEL USED IN THE CHANGES IN PEPSICO:

UNFREEZE:

Determine the needs for change:

The need for the change was recognized as the company was facing trouble regarding the tough competition of coca cola. It was continuously going down in comparison to coca cola.

And it was limited to the carbonated drinks only and needed to expand the variety of products it offers.

To increase the market share

These were the needs and the management was also well informed and in support of the change hence the employees were conveyed the message in order they can prepare themselves for the change.

CHANGE:

The changes were planned and implemented and the employees were informed and prepared in advance for the changes made. All the questions

and confusions were cleared by the higher authorities and the employees were motivated to be more interactive in order to know the problems and solve them early. As the companies were merged and the employees have to accept the new ways and culture in order to survive in the organization.

REFREEZE:

Both the companies went through a great success with the increasing market share and more sales leading the beverage industry in terms of selling both carbonated and non-carbonated drinks along with the variety of snacks. Which made the both the company satisfied and accept their culture and ways. Both the companies complemented each other well and the change made was a great success.

And PepsiCo is celebrating its success under the guidance of Nooyi. (Ritchie, 2006)

SOME OF THE CHANGES INTRODUCED BY NOOYI IN PEPSICO:

INTRODUCED MORE HEALTHY PRODUCTS:

In order to provide the customers with more healthy products PepsiCo hired an official from world health organization to keep a watch on the product. A way to reduce sodium from potato chips is already found. (Kanter, 2010)

RESHAPING RELATION BETWEEN BUSINESS AND SOCIETY

To maintain the relation between business and society Nooyi came up with the idea of partnership with the waste management Inc. in order to create

recycling equipment for consumers to deposit cans and bottles. (Kanter, 2010)

MERGER WITH QUAKER OATS:

Consequences before merger:

There were a lot of problems before the merger and the merger faced a lot difficulty to get approved:

FTC APPROVAL:

Finally the long wait of PepsiCo was over with the approval of FTC:

FTC (federal trade commission) finally gave the green signal to PepsiCo to go ahead after the division in the opinion of its members in which 50% voted in favor and 50% against. This was the committee set to check the impartiality in the deal but due to the division the investigation was cancelled and the deal was allowed to move ahead. (Amonkar, 2005)

REASONS FOR THE OBJECTION:

FTC staff had objected to this merger since:

According to them this kind of merger will destroy the competition from the market; they believed that this merger will ruin the competition giving the whole power in the hands of PepsiCo.

Monopolistic scenario will be created giving an advantage to Pepsi, the main disadvantage of which is the power to select on the rates which in turn leads

to taking advantage of the customer due to the absence of choice.

(Amonkar, 2005)

REASONS FOR THE CHANGE (merger):

It will result into much stronger market position of PepsiCo.

Higher limit of revenues over \$25 billion.

Gatorade the leading sports drink will come under PepsiCo resulting into the competitive advantage in noncarbonated drinks over coca cola.

PowerAde the non-carbonated drink of coca cola has only 15% of the market share while Gatorade covers 80%.

Position of PepsiCo will be consolidated in the ready to eat segment.

Quaker's variety of products will add much more variety to the PepsiCo's product line. (Anon., 2001)

Analysis:

Benefits to both companies:

PepsiCo is highly benefited from the merger and Quaker also being a mega brand in itself but merging with a company like PepsiCo strengthens its position even more as thirsty people will either go to the carbonated or non-carbonated drinks and now they have the command to both sections and as a result to which the company will be retaining both the customer bases.

Gatorade has its monopoly in the sports drink segment so it will rather increase the sales of PepsiCo's other fast food since drinks and fast food

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complement each other well. PepsiCo will be highly benefited by the advantage of being the major supplier as it can control the prices and monopolize the market as well. (Amonkar, 2005)

PepsiCo can expand its limits from just carbonated drinks to fruit drinks and Quaker being a mega brand is good for the reputation of the company and at the same time it reduced competition as Quaker being a part of PepsiCo will sell its products together. (Anon., 2001)

PepsiCo had a huge profit by continuous increasing revenues since the merger.

CHANGE AGENT:

Change agent is the one who is responsible for all the changes brought in the organization or it can be defined as:

“ The person, organization, material or anything which acts as a catalyst to change in an organization” (ANSWERS. COM, 2010)

In terms of business it can be defined as the person who is chosen to bring out change in an organization. And in this case the agent for all the changes in PepsiCo is the C. E. O of the company “ Indra K Nooyi”. She is behind all the changes made in the company. Like mentioned above she introduced the healthy and environment friendly products.

She also tried to build a relationship with the society by getting into a partnership with the waste management Inc. in order to provide the people with recycling kiosks so that they can put bottles and cans inside it and there

will be more energy saving. Along with these a she jeweled the company with Quaker oats and its products by taking the decision of having merger with the company. (Venugopal, 2007)

RESISITANCE TO CHANGE:

Resistance is the reaction of people when they are imposed to change.

Some leaders think that resistance is bad but there is nothing bad in resistance in fact it is the symbol of progress and change, it indicates that you are moving towards change, resistance is not resistance to change actually but the fear of losing the old culture and status quo. (Brenner, 1998)

During the PepsiCo Quaker oats merger a big objection was made and the merger was strongly opposed by the federal trade commission, they were against this change as they felt that this change will destroy the competition from the market and create a monopolistic scenario in the market and give PepsiCo an authority to PepsiCo in cutting deals with stores.

But finally FTC has to move on with the change by splitting of opinions in the committee which was set to find out the fairness of the deal. (Gordon, 2001)

CONCLUSION:

Mergers and acquisitions are good but as it is said every coin has its two sides just like that on one hand if smaller firms can survive by merging themselves into the larger organization,

On the other hand more and more mergers can result into no competition and monopoly which can be harmful for the society.

Just like PepsiCo did in order to kill the competition and increase its market share it merged with Quaker oats so that it cannot only gain the benefits of its reputation and name but also reduce competition and also gain the competitive advantage over its biggest competitor coca cola.

As it is said:

“ If u can't beat your enemy, join him.”