

## February 2022 GLT Session Resources

Resources recommended by speakers:

- A [YouTube video](#) demonstrating how and why immigration is a global issue for student
- Project Atlas Infographics 2020 (PDF is below)
- An article on Responsible Global Leadership in a VUCA World (PDF is below)

Council on Foreign Relations Education resources:

- [What Is Migration? | World101 \(cfr.org\)](#): Migration means different things for individuals, countries, economies, and the world.
- [For Migrants, Labels Matter | World101 \(cfr.org\)](#): From “asylum” to “undocumented,” learn what these terms mean legally and politically.
- [Migration Today | World101 \(cfr.org\)](#): Understand where migrants come from, where they settle, and why.
- [National Migration Policies | World101 \(cfr.org\)](#) : U.S. immigration policy can show what influences a country’s response to migrants.
- [The Lasting Effects of Emigration | World101 \(cfr.org\)](#): When migrants seek work abroad, what does their country of origin gain? And what does it lose?
- [Internally Displaced Persons: Migrants Who Do Not Cross a National Border | World101 \(cfr.org\)](#)  
What happens to people who are forced from their homes but remain inside their own country?

Resources from *The New York Times*

- Here is a link to our topic page on [Immigration](#).



# Over 5.6 million higher education students studied abroad.

Source: UNESCO, 2020

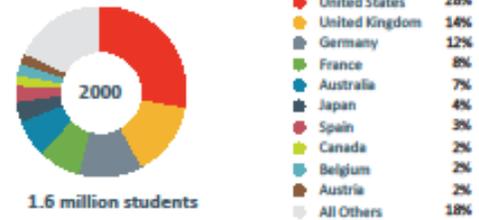
## INBOUND STUDENTS IN SELECT COUNTRIES

	2019 Release	2020 Release	% Change
United States	1,095,299	1,075,496	-1.8%
United Kingdom	524,250	551,495	5.2%
Canada	435,415	503,270	15.6%
China	492,185	*	*
Australia	420,501	463,643	10.3%
France	343,400	358,000	4.3%
Russia	334,497	353,331	5.6%
Germany	282,002	302,157	7.1%
Japan	208,901	228,403	9.3%
Spain	120,991	125,675	3.9%
Netherlands	85,955	94,236	9.6%
Poland	72,743	78,259	7.6%
New Zealand	61,240	52,995	-13.5%
Sweden	37,888	38,334	1.2%
Denmark	32,106	30,733	-4.3%
Norway	24,155	21,199	-12.8%

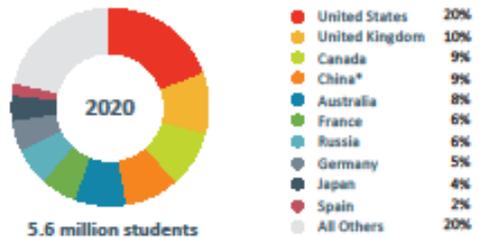
\* Data not available

Source: Project Atlas, 2019 & 2020

## TOP HOST DESTINATIONS, 2000 & 2020



1.6 million students

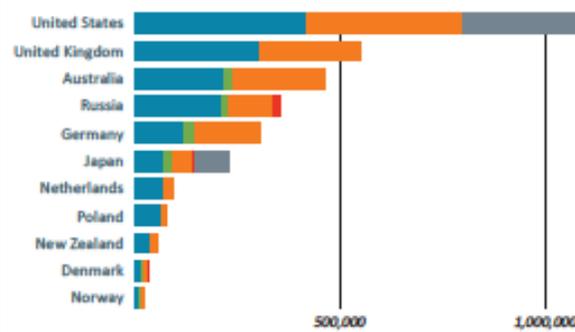


5.6 million students

\*China total from Project Atlas, 2019

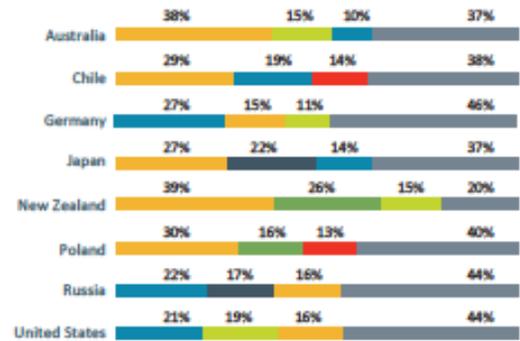
Source: OECD, 2000; Project Atlas, 2020; UNESCO, 2000 & 2020

## ACADEMIC LEVELS & DEGREE TYPES OF INBOUND STUDENTS



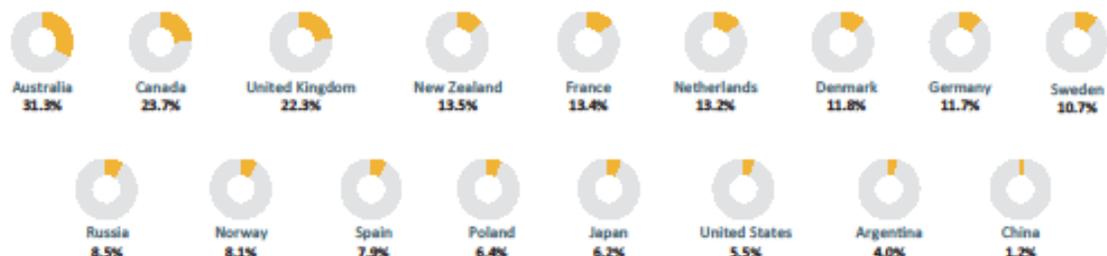
Source: Project Atlas, 2020

## FIELD OF STUDY OF INBOUND STUDENTS IN SELECT COUNTRIES



Source: Project Atlas, 2020

## INTERNATIONAL STUDENTS AS PERCENTAGE OF TOTAL HIGHER EDUCATION



### Australia, Canada and the U.K.

host the largest shares of international students in comparison to their total higher education populations.

Source: Project Atlas, 2020

# 1 Responsible Leadership in a VUCA World

*Christof Miska, Vera Economou, and Günter K. Stahl*

“Today’s times are volatile, uncertain, complex and ambiguity prevails everywhere. ... We need a very refined leader, a very different leader that can actually power a company through these tough times. ... We are looking for leaders who are extremely agile, who can go from geopolitical calms to geopolitical crisis. ... Very often we are finding that we need leaders who can make something out of nothing.” (CNBC, 2013).

—Indra Nooyi

## Introduction

We live in a world that is increasingly volatile, uncertain, complex, and ambiguous (VUCA). It is also a world that is fraught with conflicts, crises, rising threats, and ethical dilemmas. Today, we face unprecedented levels of disruption and economic, social, and environmental challenges of huge proportions. As growing corporate engagement in initiatives such as the UN Global Compact and the Globally Responsible Leadership Initiative (GRLI) demonstrate, many companies have committed to addressing the grand societal challenges of our time, like those posed by poverty and hunger, climate change, resource depletion, and rising income inequality and economic insecurity (George, Howard-Grenville, Joshi, & Tihanyi, 2016). Some organizations have gone further and adopted ‘profit-with-purpose’ business models (Levillain, Segrestin, & Hatchuel, 2019) with the explicit goal of aligning their activities with the ‘triple bottom line’ (Elkington, 1997) of social, environmental, and economic responsibility (i.e., people, planet, prosperity). What links these is the belief that business needs to consider a broader swathe of stakeholders in decision-making and to “contribute to the creation of economic and societal progress in a globally responsible and sustainable way” (GRLI, 2005, p. 3). Thus, responsible leadership has become a major concern throughout the globalized economy (e.g., Pearce & Stahl, 2015; Waldman & Galvin, 2008).

Despite this attention, responsible leadership remains poorly defined. There is some consensus, however, that responsible leaders engage in two sets or types of activities, which might be classified as ‘doing good’ and ‘avoiding harm’ (Crilly, Schneider, & Zollo, 2008; Stahl & Sully de Luque, 2014). Whereas the former includes actions aimed at contributing to society, such as safeguarding access to products, support for community development, and the design of employee-friendly workspaces, the latter refers to activities seeking to forestall harmful consequences for stakeholders in a broad sense, such as environmental pollution, product or safety hazards, and corruption. The goal of ‘creating positives’ is largely discretionary and ethical in nature, whereas activities aimed at ‘avoiding negatives’ are often mandated by laws and regulations (Carroll & Shabana, 2010; Miska, Hilbe, & Mayer, 2014). Both are influenced by notions of values-based and principles-driven leadership (Maak &

Pless, 2006). It is not surprising, therefore, that business leaders have developed distinct approaches toward responsible leadership. For example, Paul Polman, CEO of Unilever, has clearly expressed that CEOs should not be slaves to shareholders and that in moving away from quarterly reporting toward more longer-term solutions, Unilever was progressing toward solving issues like food security or climate change (Bynton & Barchan, 2015).

The example of Unilever echoes recent research showing that business leaders' discretionary choices are usually embedded in, and often restricted by, organizational structures and policies, strategies, corporate governance, and law and by broader societal and institutional contexts (e.g., Miska & Mendenhall, 2018; Stahl, Miska, Noval, & Patock, 2017). In fact, the quest for responsible leadership can be seen as society's new expectations of businesses and their executives, driven largely by two developments: one, a significant number of corporate misconduct cases in recent years, including Volkswagen's CO<sub>2</sub> emissions scandal, the fall of Lehman Brothers, and numerous instances of corruption involving companies like Siemens, Odebrecht, and Samsung, and the other, more positively, a new collective consciousness about the need for sustainable development, as expressed through the United Nations' Sustainable Development Goals (SDGs) (UN, 2018). The SDGs include 17 targets to be achieved through collaboration and partnership between governmental organizations and nongovernmental organizations (NGOs), businesses, and civil society; they include objectives like SDG #1 No Poverty, SDG #2 Zero Hunger, and SDG #13 Climate Action.

Although the scope for business leaders to engage in 'doing good' and 'avoiding harm' is constrained by corporate and institutional settings and subject to societal expectations with regard to proper business conduct and targets of sustainable development, another important aspect is the nature of the general setting and business environment in which leadership takes place. Nowadays, this setting is increasingly described as VUCA, and its dynamics pose particular challenges for actualizing responsible leadership; however, it may also open new opportunities.

In what follows, we describe the VUCA environment, including its drivers, and establish links to responsible leadership in terms of challenges, opportunities, and implementation. Subsequently, on the basis of a case study of PepsiCo, we showcase the dynamics of the VUCA environment and illustrate how Indra Nooyi during her tenure as CEO and chairperson between 2006 and 2018 engaged with the challenges and expectations of responsible leadership. We conclude with a discussion of the managerial qualities and organizational capabilities needed for responsible leadership in a VUCA environment.

### **VUCA—Volatility, Uncertainty, Complexity, and Ambiguity**

Today's business environment is increasingly being recognized as VUCA, with certain recent events offered as symbolic affirmation, for example the election of US President Trump, along with the subsequent global trade-tariff conflicts between the US, China, and the EU; the so-called refugee crisis in Europe and other parts of the world; Brexit affecting both the UK and the EU and beyond as well; economic disasters in Greece, Venezuela, and elsewhere; nuclear weapons concerns in North Korea; continued jihadist terrorist attacks; increased instances of climate change disasters worldwide, and the outbreak of the global COVID-19 pandemic. This kind of turbulence constitutes a highly volatile environment for companies to operate in and directly or indirectly affects the entire world economy (Dombey, 2016). Long-established successful business models are challenged by such rapid changes and by digital developments such as blockchain technology and new approaches to doing business, including the sharing economy (Voegtlin & Scherer, 2019). Services like Airbnb, Uber, Amazon, and Facebook, nonexistent in the past, have modified how business is conducted, sometimes putting traditional companies in survival mode or out of the game. Who would

have imagined that Luxottica would partner with Google to create attractive glasses with cutting-edge technology or that Apple and MasterCard would collaborate to offer Apple Pay (Greenwald, 2014)? At the same time, as a reminder that innovation and social responsibility do not always go hand in hand, many of these pioneering companies (e.g., Amazon, Uber, Facebook, Apple, etc.) have been accused of human-rights violations or face other allegations of unethical conduct (Pfeffer, 2016; Stahl, Brewster, Collings, & Hajro, 2020).

VUCA is not a new term. The acronym was introduced by the Army War College to describe extreme, unclear, and complex conditions. VUCA implies greater vulnerability to unknown and unpredictable forces, which in a business context can lead to economic instability and social dislocation (Annan, 2000; McNulty, 2015). Table 1.1 provides an overview of the four VUCA components.

*Volatility* is caused by continuous change. What is true today may or may not be true tomorrow (Gruwez, 2017). It implies “dynamic instability brought about by drastic, violent, and rapid shifts” (Kail, 2010a), with the consequence that the amplitude and nature of changes are themselves likely to vary. For this reason, volatility may be characterized as unexpected or unstable, and of uncertain duration, although not necessarily hard to understand, per se (Bennett & Lemoine, 2014b). For instance, several years ago, estimating the

Table 1.1 Overview of the four VUCA components. Based on Bennett and Lemoine (2014a, 2014b), Brownbill (2016), and Gruwez (2017)

<i>VUCA component</i>	<i>Definition</i>	<i>Examples</i>
<b>Volatility</b>	Rapid, unexpected, drastic, and frequent shifts leading to continuous changes. Volatility implies instability and can be of uncertain duration, even if often it is not hard to understand, per se.	<ul style="list-style-type: none"> <li>• Developments of digital currencies over the past few years.</li> <li>• Terrorist attacks affecting business’ financial stability and international trade.</li> <li>• Commodity pricing in the 21st century.</li> <li>• Negative interest rates changing some of the fundamental banking business models.</li> </ul>
<b>Uncertainty</b>	Unpredictability of the extent to which change will be significant and actually impactful. Uncertainty can create biases if managers	<ul style="list-style-type: none"> <li>• Rather unexpected aftermaths of the 2008 financial crisis leading to a global economic crisis.</li> <li>• Effectiveness of anti-terrorism attacks in terms of when and how they might</li> </ul>

	overly rely on past experience	combat terrorism.
	for decision-making.	<ul style="list-style-type: none"> <li>• Vinyl records, supposed to have died long ago, may have a sudden revival.</li> <li>• MNCs with simultaneous operations in countries and societies with diverse</li> </ul>
<b>Complexity</b>	Compound system of multiplex information and practices	
	that collectively are difficult to understand and process, either because of their nature or volume or because of both.	<p>institutional, cultural, political and regulatory environments.</p> <ul style="list-style-type: none"> <li>• The nowadays-common programmatic advertising is a labyrinth of compound bidding systems aimed to get the right ad on the right screen of the right person.</li> </ul>
<b>Ambiguity</b>	Haziness related to cause–effect relationships with contradictory explanations about what to expect. Ubiquitous availability of information makes it difficult to find clarity.	<ul style="list-style-type: none"> <li>• Companies entering new, emerging, or immature markets unexplored in relation to their products and services.</li> <li>• Transition from print to digital media and how customers process digital products and services.</li> </ul>

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development of ‘cryptomania’ (digital currencies) was rather difficult; over a relatively short period, several currencies evolved as promising, but to date, some have been affected by considerable crashes. Terrorist attacks, as another example, can be seen as a source of volatility with the potential to destabilize economies and global relationships, which for businesses can imply financial volatility affecting supply chains and international trade (Brownbill, 2016). Also, commodity pricing, such as in the case of the cost of jet fuel, has been highly volatile in the 21st century (Bennett & Lemoine, 2014a).

*Uncertainty* may be characterized as despite a lack of other information, an event’s basic cause and effects are known, suggesting that change is possible but is not a given (Bennett & Lemoine, 2014b) and is hard to predict. With uncertainty, predictability is lacking, and surprise is ever-possible (Gruwez, 2017). Over-reliance on experience may render uncertainty dangerous (Kail, 2010b), as in cases in which organizations or managers make inappropriate generalizations on the basis of their default problem-solving approaches, even when these are inappropriate and when a different course of action is needed. As an example, the events preceding the 2008 financial crisis were explainable, but was its ramification into a global economic crisis predictable? Similarly, anti-terrorism initiatives are usually beset by considerable uncertainty, because it is normally difficult to project when and how terrorism will occur (Bennett & Lemoine, 2014a) and whether or not businesses might be affected; and the impact of technological advances makes it more challenging for businesses to spot potential competitors, creating uncertainty about how new products and services will be perceived by markets and customers (Brownbill, 2016).

*Complexity* addresses how situations tend to have many interconnected parts and variables, with some information being available or predictable, albeit in volume or nature potentially overwhelming in terms of processing (Bennett & Lemoine, 2014b). For example, multinational companies (MNCs), which operate simultaneously in a multitude of countries and societies, need to take into consideration various institutional environments and regulatory frameworks, assess the political risks, and so on, and this adds up to a prodigious amount of information that MNC managers need to process. In general, working internationally implies operating with many cultures and unique environments, already complex due to the numerous different and connected parts (Brownbill, 2016) of such environments.

*Ambiguity* refers to ‘unknown unknowns’ and causal relationships that are not entirely clear (Bennett & Lemoine, 2014b), and it is difficult to diagnose from a single perspective (Kail, 2011). Essentially, for any assertion, convincing yet contradictory information can be found (Gruwez, 2017). This is because ambiguity adds multiple layers to problems and situations with no simple answers, such as in the case of globalization, which has seen companies enter new—and often

unexplored in relation to their products—markets faster (Brownbill, 2016). As another instance, the transition from print to digital media has been considerably ambiguous for many companies, many of which are still in the process of learning how customers might access and experience digital data and entertainment (Bennett & Lemoine, 2014a).

Because VUCA conditions increasingly redefine the nature of global business, they pose distinct challenges to business leaders. According to PriceWaterhouseCooper's (PwC) 21st CEO Survey of 2018 (PwC, 2018), 40% of CEOs were concerned about geopolitical uncertainty, 40% about cyber-threats, 38% about the speed of technological change, 35% about populism, and 26% about uncertain economic growth. Interestingly, although the executives surveyed tended to perceive VUCA forces largely as a threat, they were also seen as opportunities, leading PwC to title the report *The Anxious Optimist in the Corner Office* (p. 1). Thus, VUCA conditions are not good or bad per se—they can be forces of both

positive and negative disruption, of innovation and value destruction, depending on how these forces are managed—which underscores the importance of responsible leadership.

### **Challenges and Opportunities in a VUCA Environment: Implications for Responsible Leadership**

Responsible leadership research tends to address four key challenges: diversity, ethics, sustainability, and citizenship or human rights (e.g., Stahl, Miska, Puffer, & McCarthy, 2016; Stahl, Pless, Maak, & Miska, 2018). These are demanded of global business leaders and executives in order to meet the needs and expectations of multiple global and local stakeholders (Stahl et al., 2018). They also constitute specific contexts in which executives have discretionary choices (Carroll & Shabana, 2010; Miska et al., 2014) to engage in both ‘doing good’ and ‘avoiding harm,’ to the extent that such behaviors are embedded into corporate and institutional contexts and their implicit constraints and dynamics. While under a VUCA lens, the four challenges appear daunting, they bear as many opportunities (cf.,

Bennett & Lemoine, 2014a; van der Steege, 2017) as risks.

The *diversity challenge* implies that global executives deal with a multitude of stakeholders with multiple agendas and diverse—and frequently conflicting—values, perspectives, and expectations (Aguilera, Rupp, Williams, & Ganapathi, 2007; Devinney, 2009; Stahl et al., 2018). Several of the forces that shape the VUCA environment, in particular technology and the media, lead to greater public awareness about the importance of diversity. It is often negative examples that shape public opinion. For instance, in 2017, the technology industry received considerable criticism for its demographic overrepresentation of white men (Carson, 2017). In another case, former Uber engineer Susan Fowler shared her experiences, which included being subjected to inappropriate sexual propositioning (van Boom, 2017). Addressing issues related to diversity not only is a necessity in today’s world but can also be an effective coping strategy in a VUCA environment. For example, according to Deloitte’s Global Human Capital Trends report (Deloitte, 2018, p. 8), “Engagement with other stakeholders on topics such as diversity, gender pay equity, income inequality, immigration, and climate change can lift financial performance and brand value, while failure to engage can destroy reputation and alienate key audiences.”

The *ethics challenge* highlights the need for executives to ensure principle-driven, ethically acceptable, and legally sound behavior. Especially in global business and when operating across countries and cultures, business leaders are likely to face thorny ethical issues, such as in expanding third-party networks, cases of corruption, and standards of workplace integrity, regulations, and divergent

customs. A key challenge is to determine when difference is just difference and when it is morally wrong (Donaldson, 1996). Another related issue is to strike a proper balance between following a globally consistent principle-driven approach to ethics and being responsive to local norms, customs, and stakeholder expectations in areas where the company operates. The results of in-depth case studies of MNCs (including Procter & Gamble, IBM, Unilever, and Teva) suggest that both the naïve form of ethical relativism of the kind ‘when in Rome, do as the Romans do’ and cultural arrogance and ethical imperialism of the kind ‘we act wherever we are as we do at headquarters’ can have serious negative consequences for the overall organization and for stakeholders (Filatotchev & Stahl, 2015). Thus, a balanced approach seems best able to guide managerial decision-making with regard to business ethics.

The VUCA environment requires executives to develop an ethical mindset and framework that reflects on the type of worldview helpful to thriving in this context while considering

how VUCA can shape an ethical leader and cultivating the intrinsic and extrinsic resources that will enable ethical choices (Elkington, 2017). According to ECI's 2016 Global Business Ethics Survey (ECI, 2016), employees from MNCs and from domestic companies tend to report observed misconduct at comparable rates. However, MNC employees are more likely than domestic staff to feel pressurized to compromise standards, and rates of personally observed misconduct tend to be higher in MNCs as well. This shows that for MNCs, exposed as they are to heightened VUCA conditions due to their operations in multiple jurisdictions, often with deficient institutions and less stringent law enforcement, the ethics challenge is stronger. The fact that managerial misconduct and unethical behavior in organizations can be costly (Cialdini, Petrova, & Goldstein, 2004; Long & Rao, 1995), both financially and in terms of reputation, has been shown in numerous corporate scandals in recent years and underscores the importance of responsible leadership. Business leaders equipped with a strong moral compass, who 'walk the talk' and show an uncompromising commitment to core values like integrity, accountability, and social responsibility, are better able to navigate the ethics challenges in a world characterized by a 'battle for truth' in general and low levels of trust in business in particular (Edelman, 2018, p. 2).

With close linkages to the discourse on climate change and global warming (Gore, 2007; Stern, 2007), the *sustainability challenge* has emerged from the discussion on environmental management. It underlines the need for business leaders to safeguard sustainable development, which implies intergenerational equity in that future generations' needs are not compromised by present generations (Bansal & DesJardine, 2014; DesJardins, 2016). As the SDGs show, sustainability targets are multifold, including economic (e.g., SDG #8 Decent Work and Economic Growth), social (e.g., SDG #3 Good Health and Well-Being), and environmental (e.g., SDG #13 Climate Action) conditions; this requires systemic thinking on the part of business leaders. In addition, sustainability "emphasizes the long-term nature of the benefit that business is expected to provide to society" (Schwartz & Carroll, 2008, p. 163), implying the need for executives to think in the longer term. Clearly, VUCA conditions can challenge both systemic and long-term perspectives and may lead to business leaders losing sight of specific sustainability targets. However, this underscores the relevance and importance of responsible leadership in navigating VUCA conditions in order to safeguard sustainable development and in this way leverage the attendant opportunities that it provides. These may lie, in particular, in new, innovative approaches to and ways of conducting business and in sustainable business-model innovation. In fact, Voegtlin and Scherer (2017) argue that responsible innovation contributes to sustainable development, since it avoids harming people and the planet and does good by offering new products, services, and technologies that foster sustainable development. This clearly aligns with the

‘doing good’ and ‘avoiding harm’ categories as relevant for responsible leadership.

The *citizenship or human-rights challenge* embodies the need to recognize, understand, and effectively address issues with respect to equality, social justice, and human-rights protection. This goes beyond activities like simply giving back to local communities, applying as well to sociopolitical issues in the global arena (Wettstein, Giuliani, Santangelo, & Stahl, 2019), which relates it directly to the VUCA environment. In particular, in the face of global poverty and hunger, insecurity, gender inequality, immigration, healthcare challenges, and rising income gaps, there is increased stakeholder pressure on companies to help address these and other pressing issues. Consequently, businesses are expected to be political actors (Scherer, Palazzo, & Matten, 2014), addressing grand societal challenges (Buckley, Doh, & Benischke, 2017) or ‘wicked problems’ (Dentoni, Bitzer, & Schouten, 2018) like those reflected in the SDGs. In fact, organizations increasingly make the tackling of such

challenges part of their strategic mission. For example, Bank of America targets responsible growth “guided by a common purpose to help make financial lives better . . . through a focus on responsible growth and environmental, social and governance leadership” (Bank of America, 2018). Consequently, in a VUCA environment, responsible leadership is important, because it can direct companies toward assuming true global-citizenship responsibilities, despite the challenging dynamics.

The foregoing discussion illustrates that VUCA conditions compound the four challenges that responsible leaders face, because executives have to deal with a more diverse and more complex set of stakeholders, increased disruption, and greater ambiguity and uncertainty surrounding decisions and related outcomes. Yet these conditions, if understood and managed properly on the part of executives, may create opportunities for companies in terms of enhanced resilience, innovation, sustainable development, and positive disruption and thus carry the potential to benefit both companies and society.

We now turn to our case study of Indra Nooyi at PepsiCo to focus on the four challenges that responsible leaders face, the VUCA forces compounding these encounters, and how Indra Nooyi and her associates tackled those challenges.

### **Case Study: PepsiCo’s Approach to Responsible Leadership in a VUCA Environment**

The food and beverage (F&B) industry today operates in a complex environment where cost-cutting, operational efficiency, and differentiation from competitors are required in the face of rising operational costs and expectations of product efficiency and quality, raised through numerous food recalls in recent years (Paquin & Prouty, 2015). Moreover, according to PwC, disruptive technology-driven change affects production, distribution, retail, and consumption, and the key trends and challenges that need to be addressed include globalization, food security, scandals, rules and regulations, differentiation, technology, millennials and mobile commerce, and connectivity (Leong, 2016). Food supply is of course a root concern for the planet, affecting political stability, demographics, human health, and social justice (O’Marah, 2016); these recent developments foreground its VUCA characteristics and suggest that the industry environment will become even more VUCA in future.

PepsiCo Inc. manufactures a wide array of brands, including Pepsi, Pepsi Max, 7 Up, Tropicana, Aquafina, and Simba, and it employs over 260,000 employees in approximately 200 countries and territories across North America, South America, Europe, Asia Pacific, Africa, and the Middle East (MarketLine, 2018). The company describes itself as “one of the world’s leading food and beverage companies with over \$63 billion in net revenue in 2017 and a global portfolio of diverse and

beloved brands” (PepsiCo, 2018a). Between 2006 and 2018, Indra K. Nooyi served as the company’s president and chief executive officer as well as chairperson, after holding various positions, including senior vice president and chief financial officer; senior vice president, corporate strategy and development; and senior vice president, strategic planning (MarketLine, 2018). She holds a degree in chemistry, physics, and math from Madras Christian College in India and earned master’s degrees in finance and marketing from the Indian Institute of Management in Calcutta and in public and private management from Yale University’s School of Organization and Management (Bloomberg, 2018). Before joining PepsiCo in 1994, Nooyi held positions at ABB, Motorola, and The Boston Consulting Group (MarketLine, 2018). With her upbringing in India and continued later education and career in the US, Nooyi can be considered a bicultural business leader (Fitzsimmons, Miska, & Stahl, 2011).

During her tenure, Indra Nooyi led PepsiCo through various VUCA-related challenges within the industry and launched *Performance with Purpose*, the company's 2025 agenda aiming to deliver sustainable, long-term growth while maintaining a positive impact on society and the environment:

That belief in acting responsibly is what led all of us at PepsiCo to embark on our sustainability journey—what we call Performance with Purpose—more than 10 years ago. It's what led us to reduce the added sugars, sodium and saturated fat—and dial up the nutrition—in many of our foods and beverages; curb our environmental footprint, saving more than \$600 million between 2011 and 2015; and reinvest in our workforce, farmers and communities, creating opportunities for people across the markets we serve.

Today, we're more dedicated to Performance with Purpose than ever before. Because we know that while our financial results will always be a critical measure of our success, the way we'll sustain our company, not only from year to year but decade to decade, is by offering our consumers the kinds of more nutritious choices they need to grow and thrive.

The way we'll sustain our business and maintain our license to operate in today's resource-strained world is by reducing and replenishing the water we use, while also cutting back on our energy use, carbon emissions, packaging and waste.

—Indra Nooyi

(PepsiCo, 2016, p. 4)

Performance with Purpose provides a values-based governance framework for PepsiCo that could be a model for the F&B industry as a whole. It envisions how managers and employees put values into action and underlines an appropriate balance between commercial interests and acting as a responsible and sustainable business in an increasingly VUCA environment. At its core is a set of ambitious product-, planet-, and people-related goals, guided by principles and values that are closely aligned with PepsiCo's corporate responsibility and sustainability mission, and these underpin the company's commitment to the triple bottom line of sustainable development.

In the following, we explore in greater detail the diversity, ethics, sustainability, and citizenship challenges of responsible leadership as relating to PepsiCo and under Indra Nooyi's watch.

*Diversity challenge:* PepsiCo recognized the importance of ethnic and racial diversity in the workplace, hiring and appointing their first African American, Hispanic, Asian, and female executives relatively early on (Thomas & Creary, 2009). Today, 'support diversity & working caregivers' is one of the goals included

in Performance with Purpose. Specifically, PepsiCo aims to: “Continue to develop a diverse, inclusive and engaged workforce that reflects the global communities where we do business; strive to achieve gender parity in our management roles and pay equity for women; and support working caregivers” (PepsiCo, 2018b).

The fact that Indra Nooyi, as an Indian-born woman, was leading one of the world’s largest companies had symbolic value as regards diversity. She made clear that diversity, and in this sense hiring more women and minority-group representatives, is imperative because, according to her, “if you really want companies to be successful, we have got to draw from the entire pool, not just try to say ‘Hey, we are going to exclude a portion of the population’ ” (Clifford, 2016). The diversity imperative is supported by a number of

corporate initiatives, such as the Transformational Leadership Program, launched in 2015 and intended to provide women with the necessary tools for them to elevate their business impact and achieve career fulfillment (CEO Action, 2018), or the Food Safety Internship Program, initiated in collaboration with the US–Pakistan Women’s Council to reach the brightest students from Pakistan’s key agriculture and business universities (Beam, 2016).

*Ethics challenge:* In PepsiCo’s 2017 annual report, Indra Nooyi emphasized the high standards of corporate integrity and responsibility that the company has been upholding. This is underpinned by PepsiCo’s inclusion in the Ethisphere Institute’s list of the World’s Most Ethical Companies, the only F&B company to feature every year since the list began (PepsiCo, 2017). PepsiCo’s global code of conduct includes principles like “show respect in the workplace,” “act with integrity in the marketplace,” “ensure ethics in our business activities,” and “perform work responsibly for our shareholders” (PepsiCo, 2018d). Employees are specifically trained to ensure that they understand their compliance obligations, which in 2016, for example, included web-based training and certification and scenario-focused training under the theme Make Ethics Part of your Daily Routine (PepsiCo, 2018e).

In this way, the company has a strong value base that helps managers and employees address thorny ethical dilemmas, which for MNCs with operations in multiple countries and societies especially are likely to intensify due to heightened exposure to VUCA conditions. Among these challenges are, for example, controversies about child labor, human-rights abuses, and the destruction of rainforests related to PepsiCo’s palm oil policies, where Indra Nooyi herself was the target of numerous protests (Baker, 2017).

Fitzsimmons et al. (2011) assessed Indra Nooyi as a multicultural business leader able to endorse ethical relativism while adhering to universal standards, due to her in-depth experience in more than one culture. In a VUCA environment especially, where ethical baselines are often unclear, such an approach on the part of global executives is helpful to navigate differences in global versus local ethical standards and to strike the right balance between following a globally consistent and principle-driven approach to ethics while being responsive to local norms and stakeholder expectations in countries where the company operates.

*Sustainability challenge:* PepsiCo’s Performance with Purpose agenda includes three focus areas—products, people, and planet—with a number of goals set to be reached by 2025. While a company’s focus on the triple bottom line per se does not necessarily contribute to sustainable development, Performance with Purpose offers a longer-term strategy. In addition, as Indra Nooyi put it, “Performance with purpose is what I’d like PepsiCo to stand for. I’d like that to be the way we do business” (BCG, 2010), which implies pursuing a broader social

mission beyond maximizing shareholder value and incorporating responsibility and sustainability principles into the business model and corporate culture.

While the people and planet targets of Performance with Purpose include prototypical sustainability- and responsibility-related aims, such as “positive water impact,” “recyclable packaging,” and “advance respect for human rights” (PepsiCo, 2018b), the product-related goals reflect the industry-specific challenges imposed by a VUCA environment, in particular drastically changed consumer attitudes and behavior (e.g., increased societal awareness about healthier nutrition). With a keen eye for market trends, Nooyi understood early the need to shift resources from junk foods toward healthier alternatives and thus classified PepsiCo’s products into three categories: ‘fun for you,’ including regular soda or potato chips; ‘better for you,’ with lower-fat versions of sodas and snacks; and ‘good for you,’ with products like oatmeal (Reingold, 2015). Although not without controversy, this approach was a way to address the VUCA conditions specific to the F&B industry, to safeguard economic sustainability.

The Great Recession, as one particular VUCA instance, strengthened Indra Nooyi's belief that performance and purpose mutually reinforce each other (BCG, 2010). Thus, rather than cutting back Performance with Purpose during difficult times, it has been continued. In this way, Nooyi persistently pursued sustainability and in so doing also leveraged opportunities for innovation, as exemplified in the portfolio changes of PepsiCo's products and innovation-oriented brands like Tropicana.

*Citizenship challenge:* PepsiCo's global-citizenship efforts aim to develop communities through strategic grants provided by the PepsiCo Foundation and through employee volunteering and community service (PepsiCo, 2018c). The company defines economic wellbeing, as well as respect for human rights, as the foundation for a healthier relationship between food and people (PepsiCo, 2018f). According to Indra Nooyi, "Our company and our people are committed to being good stewards of our planet's resources and good corporate citizens everywhere we operate, serve and live" (PepsiCo, 2018c).

However, the VUCA environment can make it challenging to understand what good global citizenship means. In fact, Nooyi described the new reality of public-private partnerships as follows:

Governments have gotten more intrusive. They're challenging corporate governance issues in every which way, and the trust in companies is at an all-time low. I am spending a lot of time with lawmakers, presidents, prime ministers, commerce ministers, health ministers, and NGOs.

(BCG, 2010)

Thus, the various demands by multiple stakeholders require a clear mission for PepsiCo's true responsibilities in a VUCA environment. Performance with Purpose is a firm foundation for ongoing good corporate citizenship. It includes a number of goals aimed at community development, in particular people-related targets (PepsiCo, 2018b). However, product-related goals dedicated to healthier nutrition are an important component of citizenship, since they embody initiatives beyond compliance or giving back to society—they aim to benefit society and address challenging issues like worldwide obesity.

During her twelve-year tenure as CEO and chairperson, Nooyi navigated PepsiCo through considerable VUCA challenges and events, including the financial and economic crisis and the transition of the F&B industry toward healthier lifestyles. Despite these and other instances, she demonstrated that responsibility and economic gains do not trade off. After she stepped down, she was described to have "delivered a strong and consistent financial performance, managing with an eye toward not only the short run but the long run as well. As CEO, she grew

revenue more than 80%, outperforming . . . peers and adding a new billion-dollar brand almost every other year” (PepsiCo, 2018g).

### **Managerial Qualities, Skills, and Competencies in a VUCA World**

Former U.S. Army Colonel Eric Kail has suggested a number of leadership tactics applicable to a VUCA environment: clear communication and ensuring that one’s intent is understood in volatile situations (Kail, 2010a); the need for fresh perspectives and flexibility in uncertain situations (Kail, 2010b); collaborative leadership and abandoning the quest for permanent solutions in complex situations (Kail, 2010c); good listening, divergent thinking, and setting up incremental proof that the chosen direction is the right one in ambiguous situations (Kail, 2011). We here outline a number of leadership qualities, skills, and competencies that

we believe are keys to success in responsible leadership in a VUCA world. Some parallel those derived from the military context, whereas others exemplify the ethical and values-based nature of responsible leadership. Whenever pertinent, we support these with illustrations and statements by Indra Nooyi.

*Agility:* Agility may be defined as “the capacity for moving quickly, flexibly and decisively in anticipating, initiating and taking advantage of opportunities and avoiding any negative consequences of change” (McCann, Selsky, & Lee, 2009, p. 45). In strategic management, it is commonly referred to as strategic agility, which embodies the “thoughtful and purposive interplay” of top managers and three meta-capabilities: strategic sensitivity, which sharpens the awareness of strategic developments; leadership unity, as the ability of top management teams to make fast and bold decisions; and resource fluidity, as the internal capability to redeploy resources rapidly (Doz & Kosonen, 2010, p. 371). VUCA conditions require business leaders who are able to act and learn quickly, set new directions, improvise, and translate unplanned actions into new strategies, processes, and routines that help the organization continue to evolve. In this way, business leaders need to engage in what might be labeled *agile learning*: the capacity for rapid and continuous learning from experience (DeRue, Ashford, & Myers, 2012; Valcour, 2015). This is exemplified by Indra Nooyi when she said she had become a learning CEO who constantly renews her skills (CNBC, 2013). With regard to India, her country of upbringing, she has said that “people of Indian origin, people who are educated in India actually rise to the top, . . . because you are living in a volatile, uncertain, complex and ambiguous (VUCA) world in India all the time” (CNBC, 2013).

*Systemic thinking:* A VUCA world can be seen as a system of interconnected elements that form a complex and constantly changing whole (Martin, 2017). This underscores the importance for business leaders to cultivate systemic thinking abilities. Systemic thinking may be defined as comprising three elements: *synthetic thinking*, to understand the role and purpose of a system and its parts and why they behave as they do; *dynamic thinking*, to examine how the system and its parts evolve over time; and *closed-loop thinking*, which implies investigating how the parts of a system interact with one another and with external factors (Atwater, Kannan, & Stephens, 2008). Essentially, this requires ‘helicopter thinking’ (a quality included in the leadership-competency frameworks of many leading companies) or ability on the part of leaders to ‘zoom out’ to see the bigger picture and identify general patterns and trends while ‘zooming in’ to focus on details when necessary. Nooyi, for example, tended to favor inductive reasoning over deductive reasoning, which she considered a key leadership skill: “It taught me how to think of the problem in micro terms but also to zoom out and put the problem in the context of its broader environment and then zoom back in to solve the problem” (Burnison, 2011, p. 36).

*Personal integrity and core values:* The core of responsible leadership is good character and morality (Ciulla, 1998; George, 2003; Maak & Pless, 2006). This is important because followers need to perceive that leaders show morality, that their values and principles match their actions, and that they ‘walk the talk,’ regardless of how challenging or tempting a situation may be (Maak & Pless, 2006). As Nooyi put it, “If you don’t have moral integrity, it is all for naught” (Ghaffari, 2014, p. 86). In a VUCA world, a thorough core-values base and personal integrity can serve as one of the few stable anchor points for executives, providing some degree of certainty, stability, and orientation amid turbulence and change. Therefore, a key leadership ability under VUCA conditions is the determination not to compromise core values while being flexible and creative on other issues. Clearly, this requires business leaders to understand who they are and to reflect on their core values and priorities.

*Adaptive leadership and openness to change:* Adaptive leadership can be described as “the practice of mobilizing people to tackle tough challenges and thrive,” which requires that executives observe events and patterns in their environments, interpret their observations to assess these occurrences, and design interventions in response to the adaptive challenges identified (Heifetz, Grashow, & Linsky, 2009, p. 14). This indicates that business leaders need to be prepared for and open to constant, rapid, and radical change, as required by VUCA conditions. Indra Nooyi talks about such change: “I think if I had to do it all over again, I might have hastened the pace of change even more” (Snyder, 2016). However, related to the previous point, the flexible and adaptive leadership style required in the face of change, the need to take risks, and opportunities to experiment need to be combined with a non-tangible commitment to personal integrity and executives’ core values.

*Unbiased decision-making leveraging diversity and relationships:* Decision-making is often described as a multi-stage process comprising framing, which determines the specific viewpoint that decision makers assume; gathering knowable facts and producing reasonable evaluations of ‘unknowables’; systematically drawing conclusions about these facts, on the basis of the knowledge gained; and learning from past experiences and decisions (Russo & Schoemaker, 2002). VUCA conditions can affect all stages in the decision-making process, which is why they imply biases in how executives approach and make decisions. For this reason, it is important for business leaders to understand their decision-making approaches and potential flaws and biases and how they can be avoided or minimized (Bazerman & Chugh, 2006; Kahneman, Lovallo, & Sibony, 2011). In this sense, allowing for and incorporating diverse voices into decision-making processes can be a valuable way to address VUCA-induced biases. Indra Nooyi, as we have seen, is known for leveraging diversity. In addition, she cultivated relationships with stakeholders inside and outside the company, which may be valuable in informing sound decision-making. However, she clearly emphasized that building relationships takes time: “The thing that we’ve learned is that if you have a problem, you cannot walk into a government office and say, ‘help me,’ if you haven’t built a relationship over a long period of time” (Serwer, 2014).

*Intercultural competence and global mindset:* The VUCA world is essentially a globalized world in which multiple systemic interdependencies exist, as discussed earlier. In this way, executives not only work across multiple time zones but also across diverse cultures. VUCA conditions make it imperative for business leaders to acknowledge cultural differences and create cultural synergy (Adler, 1980), which means they combine strengths, concepts, and skills from various cultures, which safeguards a diversity of opinions and minimal resistance. Intercultural competence, such as in terms of perception management, relationship management, and self-management (Bird, Mendenhall, Stevens, & Oddou, 2010),

may be supportive in achieving intercultural effectiveness. In addition, business leaders with a global mindset, which often refers to executives' cognitive capabilities to operate across cultures (Andresen & Bergdolt, 2017; Levy, Beechler, Taylor, & Boyacigiller, 2007), and cultural intelligence, which can be defined as a multifaceted culture-general form of intelligence (Thomas et al., 2015), may result in greater effectiveness in working across cultures in a VUCA world. In addition, executives might benefit from leveraging their multiple cultural identities and backgrounds (Fitzsimmons et al., 2011), as Indra Nooyi did when she drew from her Indian-American profile, as discussed earlier.

*Resilience, ability to deal with stress, and confidence:* Resilience is the ability to recover from fumbles or outright mistakes and bounce back and even more so the ability to learn from errors (Kanter, 2013). It also means to “remain positive when adversity arises, engage with challenges in a constructive manner, integrate faith and values . . . and use a proactive

approach to solve daily problems” (Breen, 2017, p. 39). The VUCA world is characterized by tendencies for things to get out of hand, and problems may quickly turn into crises (Drath, 2016), which is why resilience is key in dealing with the attendant stress. This requires a healthy dose of courage and confidence, or as Indra Nooyi put it, “In my heart I said, ‘I can do this better than anyone else can, and if everything else fails, they’re going to come to me and say, ‘Fix it,’ because I know I’m that good” (Feloni, 2015).

Although from a managerial perspective, several of the discussed leadership qualities may be interlinked and mutually complementary, it is important for executives to translate them into clearly definable organizational capabilities. In a VUCA world, where planning and managing organizational change processes can be overwhelming, it is even more important for business leaders to act as enablers (Pearse, 2017), preparing their companies for both the challenges and the opportunities that can occur under VUCA conditions.

## **Conclusion**

The world is at a tipping point. Seismic changes that have occurred recently in the international political landscape, alongside growing economic, social, and environmental problems faced around the world (George et al., 2016; Inglehart & Norris, 2016), have created a highly turbulent and unpredictable environment for organizations and their leaders to operate in—volatile, uncertain, complex, and ambiguous. Global forces and megatrends such as dynamic population growth, globalization, digitalization, urbanization, and demographic change further compound these challenges, but they also create opportunities for sustainable development, innovation, and positive disruption. As we have demonstrated throughout this chapter, and by referring to Indra Nooyi’s leadership, finding solutions for the challenges and leveraging the opportunities inherent in a VUCA world will require developing ‘new’ capabilities, both at the organizational level and at the individual level. Responsible leadership can be a key overarching theme for the development of these and other capabilities, because its values-based, principle-driven characteristics can serve as stable anchor points for executives and the organizations that they direct in a turbulent, dynamic, and often-chaotic world characterized by VUCA.

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