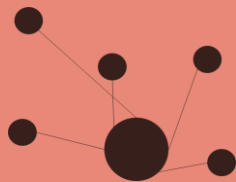




CASE METHOD

1. WHAT
2. WHERE
3. TO WHAT
EXTENT
4. WHICH
5. HOW

- (critical analysis) What is happening or what situation do we see in the case? What is the underlying issue?
- (normative analysis) What areas (fields, topics, and matters) of business ethics are related to the case? Which of them would be in conflict?
- (qualitative analysis) How fair is what is being done so far or proposed to be done? What needs to change to progress in justice and/or responsibility?
- (decisional analysis) 4.1. If the situation is unjust or minimally just, what alternatives do I have to correct or improve it?
4.2. If the situation is already just, should I and can I improve it in any way? What alternatives do I have?
- (resolution) How can I evaluate my decision?
5.1. EXPERIENCES & ADVICE
5.2. CAUTION & RISK MANAGEMENT
5.3. MANAGEMENT SCIENCE
5.4. BUSINESS INTELLIGENCE
5.5. INNOVATION & WITTEDNESS



WHAT

WHAT

How can you describe briefly the many relationships of causality in the case?

What is happening, or what situation of conflict we see in the case?

What business & professional ethics concepts are associated to the case?

Functional overview

The PepsiCo case under CEO Indra Nooyi illustrates a complex scenario where strategic decisions prioritizing the "Good-for-You" product line impact various facets of the company's operations and stakeholder interests. This initiative entails adjusting the product portfolio to incorporate healthier alternatives alongside PepsiCo's traditional offerings.

This strategic transition influences:

Consumer Markets: Responding to growing health consciousness among consumers.

- **Financial Performance:** Potentially affecting short-term profits due to substantial investment in the new product line and potential cannibalization of sales from traditional products.
- **Brand Perception:** Introducing a healthier product line may rejuvenate the company's image but could also dilute the brand equity of established products.
- **Regulatory Landscape:** The shift may align with public health advocacy and potential regulatory pressures against sugary drinks and snacks.
- **Internal Culture:** Fostering innovation and adapting to market trends, which may encounter resistance within the company due to changes in processes and focus.
- **Investor Relations:** Balancing short-term return expectations with long-term strategic positioning.

The case problem

The conflict stems from the juxtaposition of the imperative for immediate financial outcomes, as insisted upon by investors, and the long-term strategic objective aimed at sustainability and alignment with public health goals. While Indra Nooyi advocates for the significance of transitioning to healthier products, various stakeholders expressed reservations, fearing the immediate repercussions on profits, stock prices, and market share, especially within the U.S. beverage segment. Additionally, there is internal tension concerning succession planning and leadership amidst these strategic shifts.

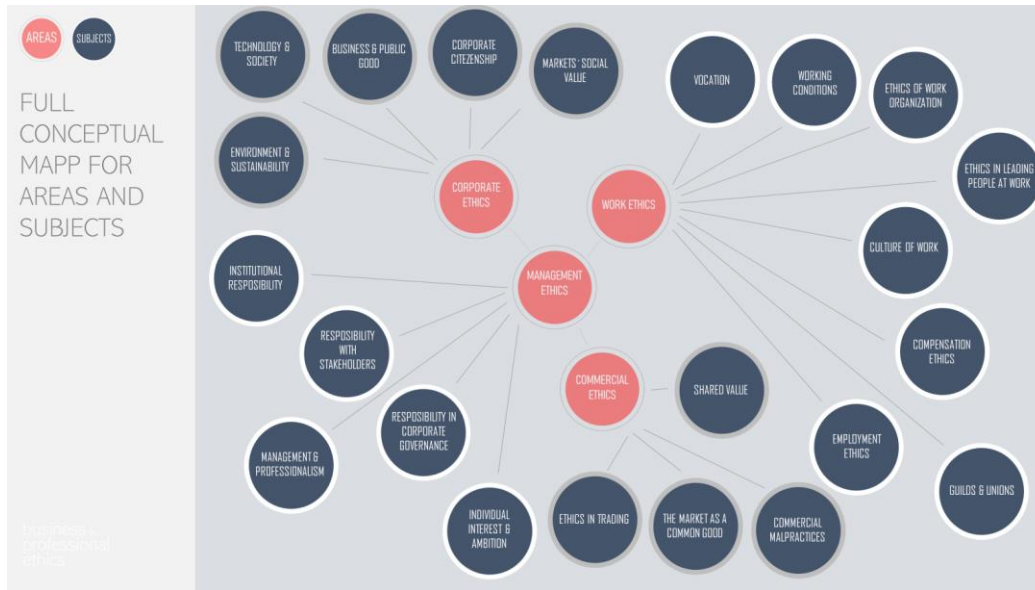
The concepts at stake

- **Corporate Social Responsibility (CSR):** PepsiCo's ethical duty to contribute to societal objectives of public health by offering healthier product options.
- **Profit Maximization vs. Ethical Values:** The delicate balance between pursuing financial objectives and upholding a set of values that may not yield immediate financial gains.
- **Consumer Autonomy:** Determining the extent to which PepsiCo should influence consumer choices toward healthier alternatives.
- **Integrity in Advertising:** Ethical promotion of products that accurately reflects their health implications.
- **Stakeholder Theory:** Incorporating the interests of all stakeholders, not solely shareholders, in the strategic decision-making process.
- **Sustainability:** Ensuring the long-term viability of the business amidst evolving consumer preferences and potential regulatory shifts.

WHERE

WHERE

Areas, topics and subjects: where can be situated the problem, that is, which ambits (areas, topics, or subjects) are seen in the case and which ones are in conflict between them?



business & professional ethics

ISSUES

ISSUES IN MANAGEMENT ETHICS

- Accountability
- Ambition in Administrative Ethics
- Greed in Administrative Ethics
- Compliance
- Professional Conduct
- Ombudsman
- Whistleblowers
- Conflict of Interest
- Creative Accounting
- Professional Objectivity
- Corruption in Administrative Ethics
- Discretion in Fiduciary Ethics
- Common Stocks and Private Property
- Subsidiary and Service in Administration
- Accountability
- Ambition in Administrative Ethics
- Greed in Administrative Ethics
- Compliance

ISSUES

- Professional Conduct
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- Discretion in Fiduciary Ethics
- Common Stocks and Private Property Subsidiary and Service in Administration
- Opportunism in Fiduciary Ethics
- Favoritism in Fiduciary Ethics
- Fiduciary Responsibility
- Institutional Responsibility
- Professional Responsibility
- Responsibility to Stakeholders
- Self-interest in Administrative Ethics
- Sustainability
- Stakeholders
- Trickle-Down Economics in Stakeholders
- Responsible Valuation of Stakeholders
- Strategic Stakeholder Valuation (Edward Freeman)

ISSUES IN WORK ETHICS

- Moral Authority
- Technical Authority
- Axiological Conditions
- Resource Conditions
- Time Conditions
- Working Conditions
- Physical Conditions
- Legal Conditions
- Psychological Conditions
- Social Conditions
- Organizational Democracy
- Taylorism and Fordism
- Human Dignity in Work
- Benevolent Dimension of Work
- Practical Dimension of Work
- Productive Dimension of Work
- Social Dimension of Work
- Work Dimensions
- Discrimination
- Diversity
- Empowerment
- Engagement
- Justice and Accountability in Compensation
- Ethics of Outsourcing
- Ethics of Living Wages
- Ethics of Variable Compensation
- Ethics of Participatory Management
- Ethics of Minimum Wage
- False Authority
- Inclusion
- Labor/Service
- Meaningful Work

- Mobbing
- Occupation
- Trade
- Paternalism
- Power (K+L)
- Justice in Compensation
- Profession
- Union Responsibility
- Ethical Salary
- Charisma
- Sweatshops
- Work
- Work and Effort
- Work and Personal Narrative
- Illicit Jobs
- Competitiveness
- Purpose
- Fellowship
- Unethical Warehousing
- Economically Fair Value: Market Price
- Vocation
- Welfare
- Right to Work
- Sympathy
- Community of Interests
- Labor Union
- Guid
- Responsible Union Negotiation
- Dominant Union Position
- Organizational Dominant Position
- Political Dominant Position
- Sectoral Dominant Position
- Anti-union Practices

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business & professional ethics

ISSUES

ISSUES IN CORPORATIVE ETHICS

- Circular Economy
- Corporate Citizenship
- Corporate Axiology
- Corporate Activism
- Corporate Riders
- Asset Stripping
- Public Good and Business
- Evasion
- Avoidance
- Unfair Taxes
- Bribery
- Corporate Philanthropy
- Monopolies

- Collusions and Cartels
- Interlocking
- Sustainability Ecosystem
- Privacy
- Intimacy
- Ethics of Social Networks
- Ethics of Artificial Intelligence

- Speculation
- Environmental Care
- Private Property in the Environment
- Conservation in the Environment
- Accessibility in the Environment
- Private Life and Public Life
- Values and Principles
- Ordoliberal
- Competition and Participation
- Private Bribery
- Ethics of the Data Industry

ISSUES IN COMMERCIAL ETHICS

- Value Chain
- Formal and Material Cooperation
- Price Discrimination
- Double Effect in Business Ethics
- Pyramid Schemes
- Product Ethics
- Commutative Justice in the Market
- Pay-day Lending
- Ponzi Scheme
- Comprehensive Consumption
- Fair Price
- Predatory Lending
- Subprime Loans
- Golden Rule in Trade
- Consumer Sustainability (Household Finance)
- Usury

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WHERE

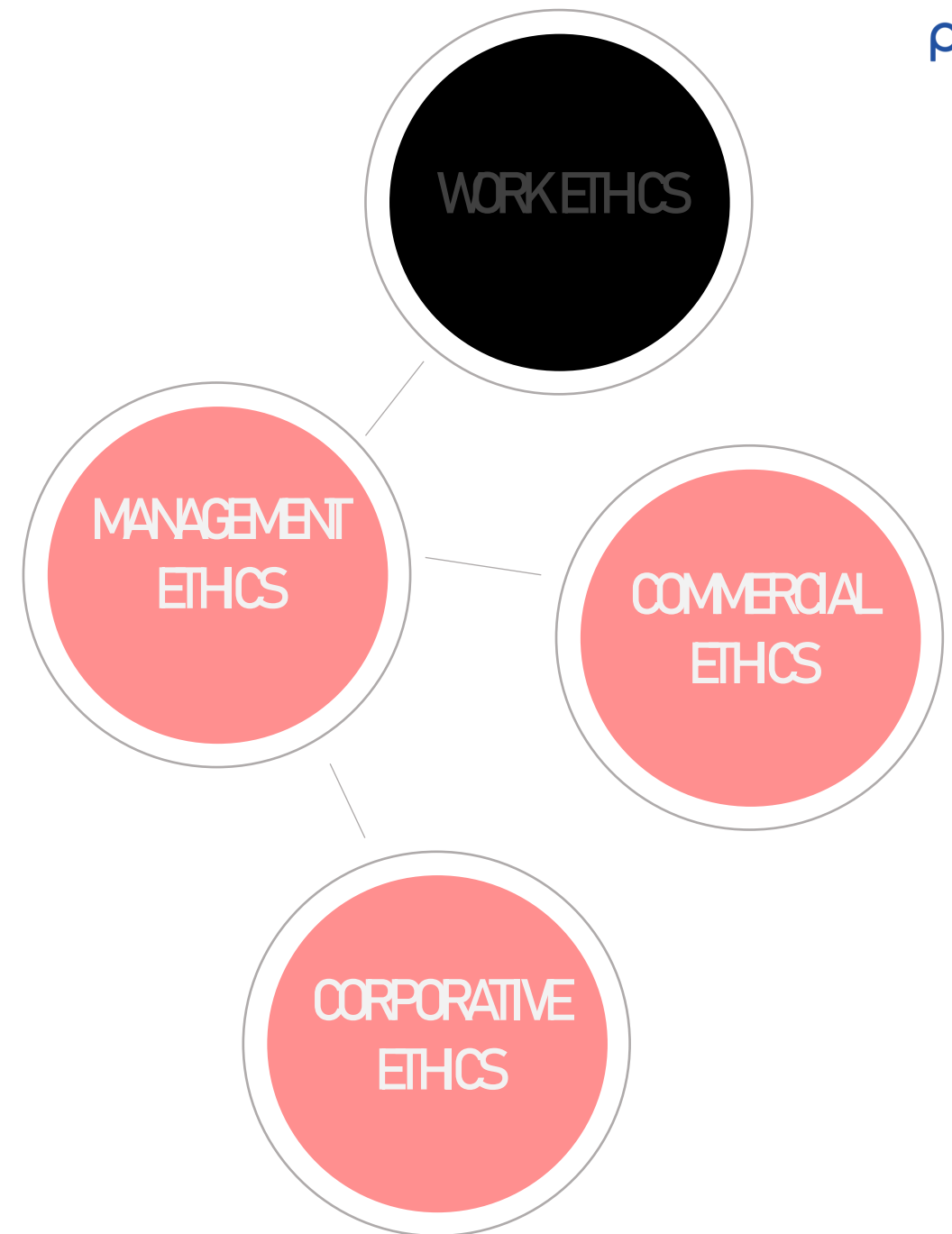
Areas, topics and subjects: where can be situated the problem, that is, which ambits (areas, topics, or subjects) are seen in the case and which ones are in conflict between them?



Areas in Conflict

Indra Nooyi's decision aims to change the product portfolio by shifting towards a healthier offering. This is ultimately to achieve a positive impact on consumer health. In this sense, the negative impact on public health from sugar consumption (**corporate ethics**) can be reduced through a different commercial strategy that, while profitable, offers qualitatively superior products (**commercial ethics**).

However, the reformulation of the commercial strategy changes the 'rules of the game' for shareholders because the investment may not necessarily yield the expected returns in the short term, but rather in the long term. Now, given shareholders' fair expectation of short-term returns, Nooyi's decision also entails a conflict in terms of fiduciary responsibility (**management ethics**).



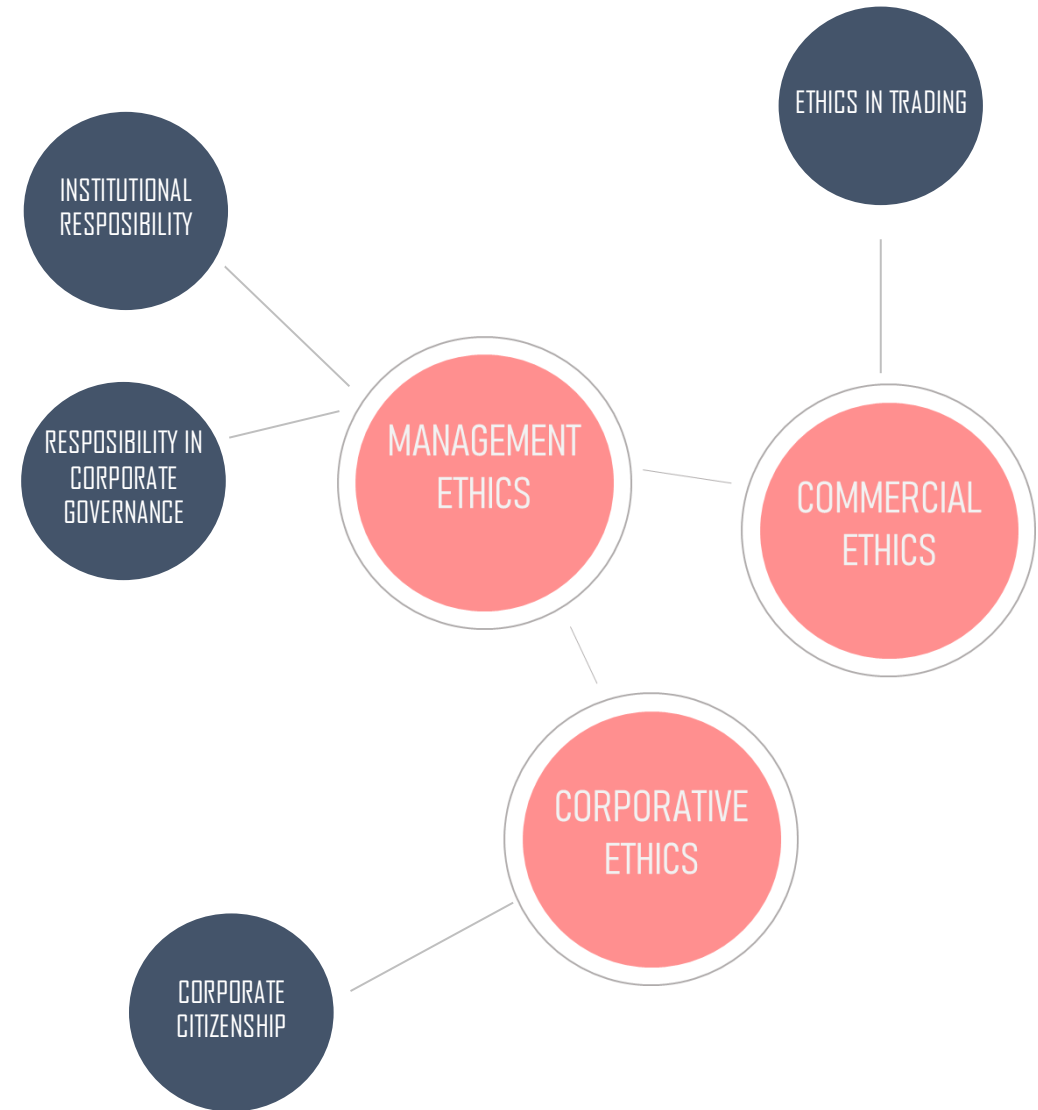
WHERE

Areas, topics and subjects: where can be situated the problem, that is, which ambits (areas, topics, or subjects) are seen in the case and which ones are in conflict between them?



Topics in Conflict

More specifically, the topics related to the CEO's decision concerning management ethics include **responsibility in corporate governance** and **institutional responsibility**, namely, the long-term preservation or sustainability of the company. Additionally, there is a **corporate citizenship** associated topic (which is part of corporate ethics), as the population's health has been affected by the commercial offerings of companies like Pepsi. Finally, and most importantly, there is a matter of commercial ethics because at the heart of the discussion is the qualitative improvement of products and their relationship with consumer welfare, which is a topic of **ethics in trading**.



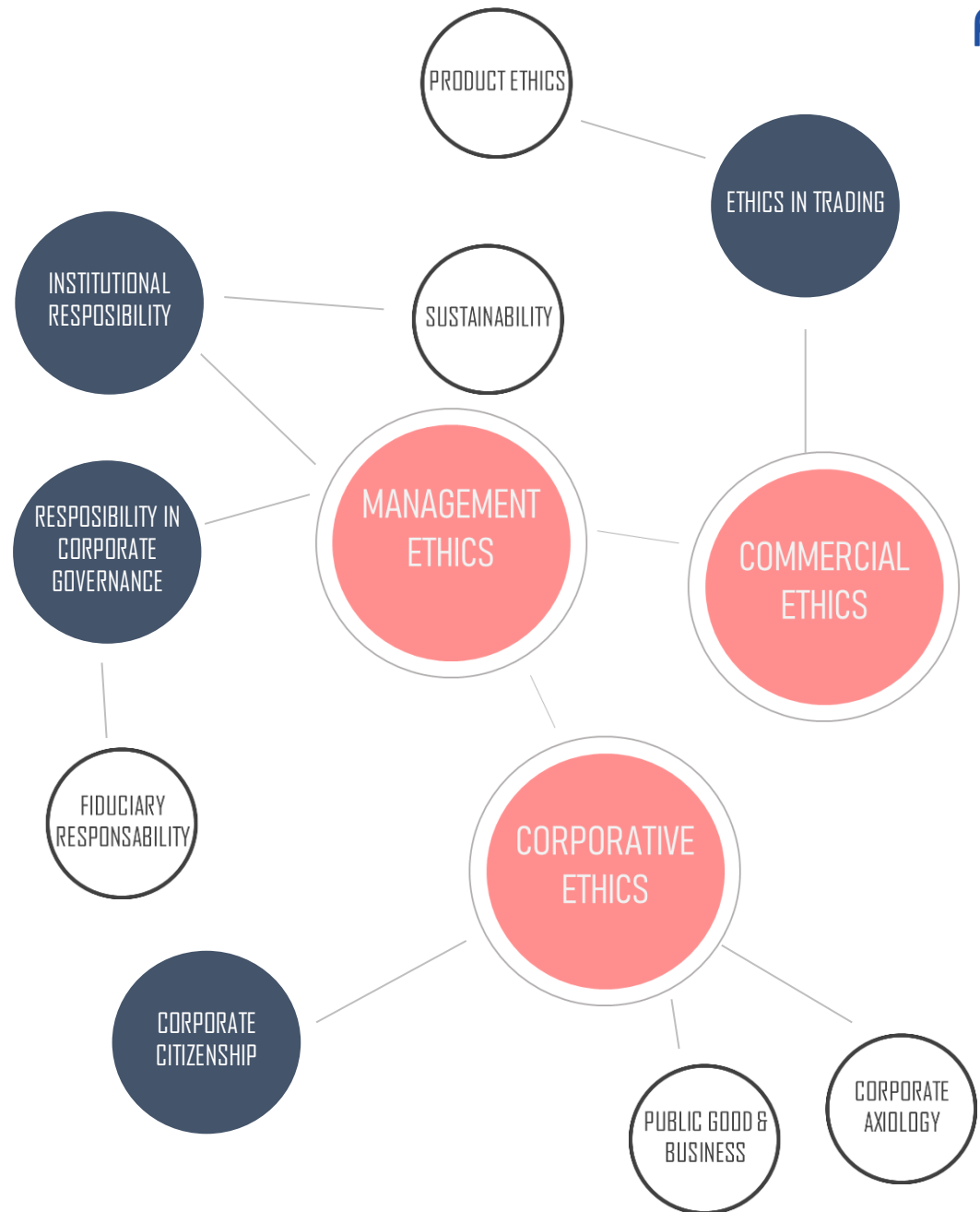
WHERE

Areas, topics and subjects: where can be situated the problem, that is, which ambits (areas, topics, or subjects) are seen in the case and which ones are in conflict between them?



Subjects in Conflict

Now, if I decide in my analysis that the central focus is Commercial Ethics, there are at least one relevant subject needed to understand the complexity of the CEO's decision, namely, **product ethics**. Additionally, we need to consider, on one hand, the subjects of **fiduciary responsibility** and **sustainability** in Management Ethics and, on the other, **public good** and **corporate axiology** proper to Corporate Ethics.

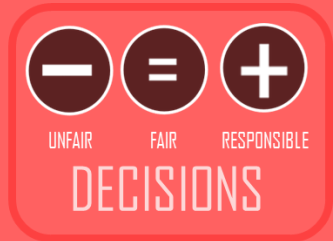


TO WHAT EXTENT

TO WHAT EXTENT

To what extent both the situation in the case and the potential decisions are fair enough?

What must be changed in the case in order to move forward a situation of justice and responsibility?



The alternative(s)

1. Keep Pepsi commercial strategy and products' portfolio as it was.
2. Go against shareholders and change the products portfolio.

View on fairness

1. This is fair enough, but not really responsible with customers.
2. This can breach the fiduciary responsibilities, therefore is unfair to shareholders.

Position

1. This must change for customers, is not really responsible.
2. This cannot change. Fiduciary duties must be preserved always.

WHICH

WHICH



In the face of hypothetical decisions:

4.1. If the situation is unfair or minimally fair, what alternatives do I have to correct or improve it?

4.2. If the situation is already minimally fair, should I and/or can I improve it in any way? What alternatives do I have?

The decision

Increase our responsibility to customers and society.

Solution (How)

By means of

- a. Change gradually the products portfolio.
- b. Change the kind of investors, by means of offering Pepsi as a long-term investment alternative. However, such a change must be made in a longer period of time in order to facilitate short term investors to sell their shares.

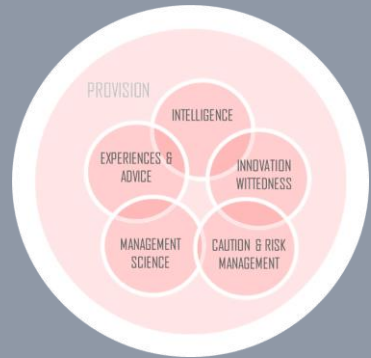
What was impossible to do

- a. Change for investors the nature of the company's rent expectation immediately.
- b. Avoid doing something with the products portfolio considering the possibility of new regulation for the food industry.

HOW

HOW

¿How can I ponder my proposal?



Briefing the plan

In relation to the analysis already conducted, I have decided to move forward with the second alternative, which is 'to change the commercial policy and, in the process, lower shareholder income expectations, making Pepsi a long-term investment alternative.' This would allow for a qualitative improvement in the commercial offer, without truly addressing the CEO's **institutional responsibility** and, in the process, contributing to public health, which is a matter of corporate ethics. However, before executing the decision, it is important to make at least four preliminary considerations to reinforce the argument in a decision synthesis as shown below:

Pondering the plan

Experience & Advice

What has been done in similar circumstances and how has it turned out?

Innovation & Wittedness

Regarding what would be done, is there any new way of doing things?

Management Science

What do the experts say?

Intelligence

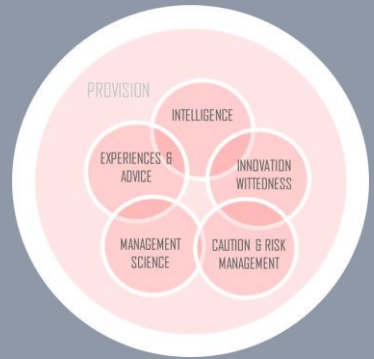
What would I find out to decide better?

Caution & Risk Management

What sort of risk should I consider according to my decisions?

HOW

¿How can I ponder my proposal?



PROVISION: Can justice and responsibility be increased with my plan?

pepsi

