

## Acquiring transformational leadership skills via case study

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### ABSTRACT

Transformational leadership stands as a cornerstone of organizational success, inspiring followers to transcend self-interest for collective gain through four key dimensions: inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence. To nurture prospective transformational leaders, higher education should adopt effective pedagogical approaches to enhance students' understanding and application of transformational leadership principles. Prior research demonstrates that employing role models and case studies yields superior learning outcomes compared to conventional lectures. This case of Indra Nooyi's transformational leadership at PepsiCo serves the purpose of influencing and inspiring students on their own leadership trajectories.

Keywords: transformational leadership, case study, role modeling

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## INTRODUCTION

Transformational leadership emerged as a pivotal component of a significant shift in leadership research when Bass (1985) expanded upon Burns' (1978) original work, unveiling four dimensions of transformational leadership. Since its inception, transformational leadership has been recognized as an ideal leadership style for aligning organizational interests with those of employees, thus contributing to greater success (Ghasabeh et al., 2015). Higher education, specifically, has played a significant role in preparing future transformational leaders by integrating the concept into the curriculum of social sciences.

## UNCOVERING TRANSFORMATIONAL LEADERSHIP DIMENSIONS

Transformational leadership focuses on inspiring and motivating followers to exceed their interests for the sake of the group or organization across four dimensions: inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence. According to Bass (1985), transformational leaders can motivate followers to go above and beyond by highlighting the importance and value of followers' goals, getting followers to transcend their own self-interest for the sake of collective well-being, and addressing followers' higher-level needs.

### Inspirational Motivation

Inspirational motivation refers to transformational leaders setting high-performance standards and challenging goals for their followers. Transformational leaders use optimistic language and emotional appeal to inspire followers to share the vision for the organization. They highlight the value of each team member's contribution to organizational goals. Through the shared vision and connecting individual effort to collective success, transformational leaders can create a sense of belonging and loyalty among the followers, which motivates them to transcend their own self-interest for the good of the organization.

### Intellectual Stimulation

This dimension refers to transformational leaders encouraging followers to be creative by challenging the existing ways of doing things. They foster a culture of innovation, where followers are encouraged to think outside the box. For example, a transformational leader might invite followers to participate in brainstorming sessions, reward them for generating novel ideas, or support them in implementing change initiatives.

### Individualized Consideration

Individualized consideration involves leaders paying close attention to the special needs of their followers. They act as mentors who offer personalized support to help their followers grow. To do this, transformational leaders spend time with each follower to understand their motivation and competence and then adapt their leadership style accordingly. For some followers who need more direction and clarity, leaders may provide specific instructions and feedback,

while for others who are more capable, leaders may give them more autonomy and delegate tasks.

### **Idealized Influence**

Idealized influence refers to transformational leaders serving as powerful role models who inspire and motivate their followers through exemplary behavior. Transformational leaders exert strong reference power over their followers by fostering deep personal identification, admiration, and trust. Employees are naturally drawn to transformational leaders because they aspire to attain the qualities (value and ethical standards) demonstrated by transformational leaders. Not only are followers more likely to mimic the behavior of transformational leaders, but they are also more likely to align themselves with leaders' visions and goals.

The effectiveness of transformational leadership has been well-documented. For instance, Meta-analyses have shown that it significantly boosts performance across various criteria and levels (Wang et al., 2011). Furthermore, transformational leadership, which emphasizes vision, collective identity, and intrinsic motivation, has a stronger relationship with extra-role behavior, such as organizational citizenship behavior and voice behavior, than with task performance (MacKenzie et al., 2001; Wang et al., 2011; Zhang & Inness, 2019). This is because transformational leaders can motivate followers to go above and beyond their job-prescribed duties by building trust (Podsakoff et al., 1990), leading employees to view their roles with broader responsibilities (Piccolo & Colquitt, 2006), and increasing commitment and satisfaction.

### **TEACHING LEADERSHIP THROUGH ROLE MODELING**

Today, organizations have a pressing demand for transformational leaders capable of empowering their teams to achieve exceptional results. To prepare students for these pivotal roles, educators must create engaging classroom experiences that foster the development of transformational leadership qualities (Luechauer & Shulman, 2007). Lyons (1995) suggested classrooms can act as a learning organization, where students adopt the role analysis technique for novel solutions to complex problems.

Role models often act as catalysts, inspiring individuals to embrace new behaviors and pursue ambitious objectives. In educational settings, role modeling is widely recognized as an effective method for teaching and learning. Drawing on the role model concept (Merton, 1957), Morgenroth and colleagues (2015) developed the Motivational Theory of Role Modeling, which signifies the power of role models in acting as behavioral models, representing the possible, and being inspirational. Athalye (2010) observed that students gravitate towards role models possessing transformational leadership attributes, particularly idealized influence and inspirational motivation. This case study focuses on Indra Nooyi, the former Chairman and CEO of PepsiCo from 2006 to 2019, illustrating her as an exemplary role model of transformational leadership.

### **USING THE CASE STUDY METHOD TO ENHANCE LEARNING**

Historically, business education has faced challenges in bridging the gap between theoretical management concepts and practical implications. Pfeffer and Fong (2002) argued that relying solely on lectures for knowledge acquisition often fails to adequately prepare students for

the transition from academia to the real-world demands of industry. Conversely, teaching through case studies offers students valuable opportunities for experiential learning (Kolb, 1984). The case study method is widely recognized as a valuable pedagogical methodology, particularly in higher education, for fostering active learning and enhancing students' problem-solving and analytical skills (Bowe et al., 2009).

In business programs, the integration of case studies into the curriculum has been a longstanding practice at Harvard Business School, dating back to the introduction of the case method by Professor Edwin F. Gay in 1911 ("Business Education," n.d.). This approach serves as a means to effectively instruct business students in problem-solving and decision-making based on real-life scenarios directly relevant to course topics, providing them with practical insights crucial for their future professional pursuits. Supporting this notion, Farashahi and Tajeddin (2018) conducted a study involving 194 undergraduate and MBA students, revealing that case study methods are more effective in developing problem-solving skills compared to traditional lectures. Hence, to enhance students' comprehension of transformational leadership, it would be beneficial to utilize the case of Indra Nooyi (see Appendix B) as a role model.



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## Appendix A: The Student Handout

### Indra Nooyi's transformational leadership and corporate success

Born in 1955 in Chennai, India, Indra Nooyi came to the U.S. when she was admitted to the Yale School of Management in 1978. After receiving her MBA degree, Nooyi started to work for the Boston Consulting Group (BSG) as a strategy consultant followed by several other high-ranking managerial positions. She later joined PepsiCo in 1994, where she took the roles of president and chief financial officer in 2001. In 2006, she made history by becoming the first female chief executive officer to lead the company, a position she held until her departure in 2018.

### RESTRUCTURING INITIATIVE

An insightful strategist, Nooyi orchestrated several pivotal restructurings during her initial years with the company. In 1997, Pepsi decided to divest its Pizza Hut, KFC, and Taco Bell restaurants for \$4.5 billion. The proceeds from this sale significantly slashed the company's \$8.5 billion debt by more than 50%. Consequently, Pepsi could accelerate its share buyback strategy and attain financial flexibility for future business investments.

The following year, Pepsi concluded a landmark acquisition of Tropicana for \$3.3 billion, positioning the company in direct competition with Minute-Maid, owned by its rival Coca-Cola, in the non-carbonated drinks market. Building on this momentum, in 2000, Pepsi executed another strategic acquisition by purchasing Quaker Oats for \$13.4 billion. While the price tag might have faced scrutiny from some analysts, the deal handed Pepsi control of Quaker's popular and lucrative sports drink brand, Gatorade (Tempest, n.d.).

### PERFORMANCE WITH PURPOSE

Nooyi demonstrated a profound commitment to her role at Pepsi. Besides working long hours and skipping vacations to focus on strategic moves, she actively participated in hands-on activities. This included touring factory floors and inspecting Frito-Lay packaging and shelf placements in supermarkets such as Walmart. It was during these engagements that she noticed a shift in consumer preferences, with parents and children turning away from soda at birthday parties. This observation motivated Nooyi to steer Pepsi's focus toward an increased emphasis on health-conscious products (Kalita, 2021).

Under the leadership of Indra Nooyi, Pepsi underwent a transformation centered around a concept known as Performance with Purpose (PwP). In her book, *My Life in Full: Work, Family, and Our Future*, she writes, "PwP would transform the way PepsiCo made money and tie our business success to these objectives: Nourish. Replenish. Cherish" (Kalita, 2021). To Nooyi, PepsiCo shouldn't merely settle for making food that tastes good; it should also strive to be "the good company" by adhering to higher values that go beyond the day-to-day business of producing and selling soda and snacks.

Consequently, Pepsi expanded its product portfolio to incorporate a more health-conscious assortment of snacks and drinks crafted from grains, fruits, nuts, vegetables, and dairy. Its "good for you" products expanded to vitamin-loaded SoBe Lifewater, antioxidant-filled Naked line of fruit juices and smoothies, and Gatorade's new "fit series" for before, during, and

after workouts. Nooyi also spearheaded the establishment of cutting-edge laboratories and recruited leading scientists to reengineer its “fun for you” products (such as potato chips and regular soda) into “better for you” offerings (diet or low-fat versions of snacks and fizzy drinks) by reducing the amount of sugar, salt, and saturated fat across Pepsi’s product lineup (Seabrook, 2011).

## **DESIGN THINKING**

In addition to prioritizing healthier food and beverage options, Nooyi appointed the esteemed designer Mauro Porcini, renowned for transforming the image of 3M, as Pepsi’s first Chief Design Officer. Through the implementation of a design thinking initiative, the company embraced design across the entire system, including product creation, packaging and labeling, the product’s shelf appearance, and the overall consumer interaction experience. As a result, Pepsi’s innovation strategy contributed 9% of the net revenue in 2014.

A notable example of this innovative approach is exemplified in Mountain Dew Kickstart. With higher juice content, only 80 calories, and exciting new flavors, all packaged in a convenient slim can, this product allows people to carry it with them on the go. Remarkably, within just two years, Mountain Dew Kickstart generated over \$200 million.

In addressing the challenge of bringing people together amid a substantial transformation, Nooyi emphasized the critical role of selecting the right person, in this case, it was Mauro. Provided with essential necessary resources, a design lab based in Soho, NYC, and a significant role in decision-making, Mauro’s team grew from 10 people to almost 50. Notably, Mauro’s influence extended beyond Pepsi’s beverage team, gaining recognition from retailers seeking insights on resetting their shelves. Through an unwavering commitment to innovation, Pepsi’s products have been finely tailored to specific target groups, and the packaging is not only functionally convenient but also aesthetically appealing (Ignatius, 2015).

## **SUSTAINABILITY INITIATIVES**

With its commitment, Pepsi has devoted itself to achieving sustainable growth. In an effort to minimize its environmental footprint, Pepsi introduced 267 electric vehicles, 272 hybrid diesel-electric trucks, 331 compressed natural gas trucks, 67 hybrid gasoline-electric vans, and 1,300 hybrid electric cars in the company’s fleet. Consequently, PepsiCo successfully reduced its diesel fuel consumption by 23% between 2008 and 2014. In addition, PepsiCo reduced water consumption in the manufacturing processes by 14 billion liters in 2013, resulting in a savings of \$15 million (Snyder, 2015). From 2011 to 2015, Pepsi surpassed its 20% target by reducing water usage per unit of production by 26%. As an integral component of its comprehensive sustainability agenda, Pepsi realized savings of over \$600 million through initiatives aimed at reducing water, energy, packaging, and waste (Tempest, n.d.).

Since 2006, Pepsi has partnered with non-profit organizations to ensure safe water access for more than nine million people in economically disadvantaged countries. This achievement exceeded its initial target of reaching six million people by the end of 2015 (Tempest, n.d.).

In 2010, for the first time in 23 years, Pepsi chose not to advertise during the Super Bowl. Instead, the company allocated its \$20 million advertising budget to the Pepsi Refresh Project, with the goal of “making the world a better place.” This initiative urged consumers to propose

ideas for grants ranging from \$5,000 to \$250,000 for health, environmental, social, educational, and cultural causes (Norton & Avery, 2011).

In 2011, Pepsi elevated the Refresh campaign by distributing more than one million dollars each month through 60 grants, ranging from \$5,000 to \$50,000, in four categories, including Arts & Music, Communities, Education, and Pepsi Challenge. The Pepsi Challenge specifically sought to inspire creative ideas that would refresh communities in exciting ways (“Pepsi Taps,” 2011).

## **CULTURAL IMMERSION**

In 1994, Pepsi’s international operation faced a significant setback with a loss of \$486 million. To revitalize its international beverage business, Pepsi identified the strategic importance of emerging markets, including India, China, eastern Europe, and Russia.

Recognizing the pivotal role of cultural factors in Pepsi’s extensive global presence, Nooyi, upon assuming the role of CEO, and her team dedicated several weeks in China to understand the nation's culture and capitalize on the business opportunities. Recognizing the value of immersion, Nooyi and her team developed a six-month training program. Every two weeks, experts on China, including professors and specialists, conducted seminars to provide Nooyi with insights on the country's history, political structure, and key players. The final session involved a comprehensive overview from Henry Kissinger. Nooyi viewed this education as a gesture of respect for China and its culture. Emphasizing the need for leaders to have a foundational understanding of a country before engaging in business ventures, she encourages fellow leaders to prioritize understanding the cultural and historical context of the countries with which they conduct business (Nooyi & Narisetti, 2022).

Throughout Indra Nooyi's leadership, Pepsi achieved remarkable results, experiencing a growth of over 80% in net revenue and a total shareholder return of 162%, outperforming the S&P during the same period (“Indra’s Story,” n.d.). Between 2007 and 2014, Nooyi was consecutively named on Forbes’ list of the World’s 100 Most Powerful Women. From 2006 to 2010, she held the annual rank of the number one Most Powerful Woman in Business annually. In 2008, Nooyi was recognized by US News & World Report as one of America’s Best Leaders.

## **DISCUSSION QUESTIONS**

1. Did Indra Nooyi display all four dimensions of transformational leadership?
2. Please identify the leadership dimensions in Nooyi’s case with specific examples.
3. How do you think Nooyi’s leadership contributed to PepsiCo’s organizational success?
4. How would Nooyi’s example of transformational leadership influence your future leadership style?
5. During the case discussion, did you notice any team members demonstrate any of the four dimensions of transformational leadership? Give specific examples.

**Appendix B: Teaching notes**

1. Introduction:
  - Begin by introducing the case study topic and providing background information on the leader, in this case, Indra Nooyi.
  - Briefly explain the concept of transformational leadership and its relevance to the case study.
2. Group Formation:
  - Divide the students into small groups, ideally four members per group, depending on class size and preferences.
3. Distribution of Case Study Materials (Appendix):
  - Provide each group with copies of the Indra Nooyi case study or direct them to access it through Learning Management Systems, such as Blackboard and Canvas.
4. Group Discussion:
  - Instruct the groups to read the case study carefully and analyze it. Pay attention to key transformational leadership behaviors and decisions made by Indra Nooyi.
  - Allow the groups time to discuss the case study thoroughly. Encourage active participation from all members.
5. Facilitator Support:
  - Circulate among the groups to offer guidance, answer questions, and facilitate discussion if needed. Ensure that each group stays on track and that discussions remain productive.
6. Debrief and Reflection:
  - Conclude the activity with a debrief session where students share their thoughts, insights, and reflections on the case study discussion. Encourage them to relate the lessons learned to real-world leadership contexts.
  - Summarize key takeaways from the discussion and emphasize the relevance of transformational leadership principles demonstrated in the case study.
    - i. Inspirational motivation: Nooyi inspired and motivated employees with her passion and dedication to PepsiCo's mission. By adeptly conveying the company's objectives and values, she cultivated a profound sense of purpose among the team members.
    - ii. Intellectual stimulation: Nooyi fostered innovation and creativity at PepsiCo by challenging conventional norms and advocating for a culture of ongoing learning.
    - iii. Individualized consideration: Nooyi showed authentic care for her employees' well-being and growth. She emphasized mentorship and coaching, offering guidance and support to empower individuals to achieve their utmost potential within the organization.
    - iv. Idealized influence: Nooyi's dedication to sustainability and social responsibility served as a guiding light for PepsiCo's corporate culture. By consistently demonstrating integrity, authenticity, and a strong sense of purpose, Nooyi inspired her followers to align with the company's mission and values.