

Simon Mainwaring:

From We First and Goal 17 Media, welcome to Lead With We. I'm Simon Mainwaring and today I'm talking with Maddy Kulkarni, who is the global marketing director of sustainability and purpose at PepsiCo, as well as a marketing professor at the University of Texas. And we'll be talking about insights into what the next generation of business leaders want to learn to improve the future for all of us and actions PepsiCo is taking to bring its purpose and sustainability to life in authentic and accountable ways. Maddy, welcome to Lead with We.

Maddy Kulkarni:

Thank you so much for having me, Simon. I'm so excited to be speaking with you today.

Simon Mainwaring:

I'm very, very excited to chat and tell us about your journey at PepsiCo. You've been there for some time now, correct?

Maddy Kulkarni:

I've been there for a little over 10 years, Simon and as a millennial, it's really difficult for me to think about staying at one company for so long but I've had so many amazing opportunities working on such iconic brands at this company that I've had a really good time here. And the last several years have been focused in this sustainability and purpose space, which I've thoroughly enjoyed and found so much meaning in the work.

Simon Mainwaring:

And did you actually see that sort of priority around purpose and sustainability shift within the company? We've seen this broadly across the whole industries and business at large.

Maddy Kulkarni:

Yes. Actually Performance with Purpose was something that Indra Nooyi, our prior CEO coined and that's what led me to you interview with PepsiCo 10 years ago. And our current CEO, Ramon Laguarta is following that legacy and evolving Performance with Purpose. He recently announced our ambition around PepsiCo Positive, which is a whole system wide transformation when it comes to sustainability and purpose. And so he has a strong passion for this space as well. There's this ambition to help create a sustainable food system and I find that quite inspiring to work on.

Simon Mainwaring:

It is. It's very inspiring. And obviously it's a mandate for business today to show up in these ways. And how do you find time to work the University of Texas as well? Tell us about that part of your life.

Maddy Kulkarni:

Oh my God, that brings me so much joy. Outside of PepsiCo, I've started doing nonprofit, pro bono marketing consulting. And through that work, I was looking for some interns and I approached the University of Texas at Dallas to see if any of the students wanted to intern with me. Had a bunch, five or six students intern with me. We had a fantastic time. The students enjoyed the experience and I was talking to the undergraduate program head about the experience. And she said, "Maddy, why don't you come in and teach? Why don't you teach the professional development course?" And I thought, mm, I

don't know. I don't know if that would be a right fit for me but then she's like, "Well, how about intro to marketing or principles of marketing course?" I was like, "That's my jam. I can do that."

Maddy Kulkarni:

And then I did that for a few years and she knew I had this passion for social impact work and she had this idea percolating to create this course where it would be a service learning course. It's a upper level marketing course where the students received three hours of course credit but also did community service. We worked with local nonprofits. That was in mind when she was creating this because our students have a 100 community service hours requirement to graduate. UT Dallas had said, "We are graduating civically engaged students at this university." And this course would help fulfill that prerequisite. She's like, "Maddy, can you help write and launch this course?" I was like, "Of course, let's do this." And this is how it came to be.

Simon Mainwaring:

And the reason I was excited to talk today because if we stand back and look at the business landscape right now, the challenges we face, the need to sort of scale and accelerate our response to climate, biodiversity, pollution challenges and so on, one of the big sort of elephants in the room is the world of business schools and the next generation of leaders coming through and how equipped they are to actually be the type of leaders we need to solve for these issues. Do you see a gap right now? Is that something you stepped into because you saw there was a need?

Maddy Kulkarni:

Definitely. There's definitely a gap. There's even a gap in our generation, Simon, where our marketers are learning on the job of how to approach social impact work. And so when I started this course, I reached out to professors at other universities to see if they were teaching something similar because I was looking for resources. I'm like, what are you using in your classroom? What textbooks are you using? Because all I know right now are Ted Talks, articles, books from our colleagues. I was using John Izzo's book, Purpose Revolution and Melinda Gates' Moment of Lift as required reading for my class. But no one seemed to have a textbook for this course or this subject. And I only knew one other professor who was teaching something similar. My quarantine project, Simon, was creating a textbook for this course because I didn't know of anything that existed like it.

Simon Mainwaring:

And it's interesting, firstly, congratulations on a quarantine project, you're going to come out the other side with something tangible to show for it. But also, there's two sides to the coin. One is that younger entrepreneurs, business leaders aren't being equipped to think this way but also in the absence of that, they're being equipped to think in ways that actually compound the problem and that doesn't help anyone. And there's been a lot of sort of tension within the business school world to resolve this in terms of how they need to re-engineer themselves because institutions can sometimes be a little bit inert. They are these bastions of how the ways things have always been. I think it's great that you've taken this head on. Did you also notice an appetite in the students? We all hear about millennials and gen Z looking at the world through different eyes to really looking at today and the future through a values based lens, did you see an appetite in them and the fact that there wasn't a course to satisfy them?

Maddy Kulkarni:

Yeah. When we piloted this course, I believe there were about 35 students in the first semester that I taught it. Now we have a 105 in my class. Another professor is teaching this course. She has another a 100 in hers. It's the most popular course in our marketing department and students love it. They find so much meaning in the projects that we're doing that they come to class excited. And there's this sense of I'm using my skills to do good in the community and I'm able to apply those skills even before I graduate.

Simon Mainwaring:

Everyone today is challenged to not only be articulate about their purpose in the world but also to bring that to life through their impact work and then to tell that story through social impact marketing. Can you define what that is for us? And then, what was the book about? What did you focus on?

Maddy Kulkarni:

The nuance that is social impact marketing is that twist to create social good through the marketing work that we do. Traditionally as marketers we have two main goals, build brand equity and drive sales. With social impact marketing, we have a third goal is to create a positive impact for the environment or for society. And through this book, I've taken our fundamental marketing frameworks and added a social lens to them. I start the book with the four P's. This is the framework we've all learned in marketing 101. And so I ask the students to add in a fifth P for partnerships so that they're thinking about when we're doing social impact work, this is hard stuff and we're going to need partners to collaborate with to advance the causes that we're working on. The third framework that we probably learn about in marketing 101 is a three C's. It stands for consumer, customer and competition. And I ask the students to think about competition and how do we turn those competitors into collaborators? And that's the social impact vent to the work.

Simon Mainwaring:

And can you give us an example of that to make it real for us? Because PepsiCo, in your work, they're one of the leading brands with such a wide portfolio in the world. How do you work with competitors? Give us an example.

Maddy Kulkarni:

Sure. Take ocean plastic for instance and the plastics crisis that we face. This is a huge issue for our company and for the world and we can't solve it alone. We are in projects with Coca-Cola, one of our biggest competitors, a fierce competitor, but we come together when we're working on initiatives that help build recycling infrastructure in communities, when we're looking at tackling ocean plastic, when we're looking at encouraging our consumers to recycle more so that we can use more recycled content in our plastics packaging. We're doing that with Coca-Cola, with Dr. Pepper, some of our fiercest competitors.

Simon Mainwaring:

And how does that process come about? I'm always fascinated. Often it's referred to as pre-competitive collaboration where you kind of level up the industry, you kind of do less bad, you do more good as an industry to make it more defensible and to serve our future. But does one reach out to the other? Is it sort of an external party that is building a coalition that comes to you all and says, "Hey, would love everyone to come to the table?" What does that look like?

Maddy Kulkarni:

It looks like all of those things. We kind of lean into consortiums like the American Beverage Association to help as a convener of the various parties or we'll look at sustainable brands for instance to help bring us together and create that holding space for us to have those conversations and create those work streams. Or sometimes it's our CEO calling the CEO of the other company to say, "Hey, we should work on these things together." It's a combination.

Simon Mainwaring:

When the students hear this approach to marketing, which blends this purpose and profit and they realize that companies can re-engineer themselves to do more good, is it a light bulb moment for them? Or are they more cynical and judgmental? Because all the research out there says that younger generations distrust marketing, they listen to their peers and fellow employees more so than CEOs or institutions. What do you find? What's their response?

Maddy Kulkarni:

Yeah. I think gen Z is quite critical. They're looking for transparency from the brands that they're looking to purchase from and engage with. But when they hear about companies taking on this type of work, I think they're inspired to see the impact a business can have to do good. We actually brought in our marketing manager for PepsiCo's Food For Good program to talk to our students. And we were talking about how we bring healthy meals, nutritious meals to underserved communities and how much intention was put into the packaging for these meals. And we wanted the kids who received the meals to feel a sense of dignity when they got these meals not that they were other or that they were getting a free handout but this was something fun, aspirational. There was no stigma attached. And when those students saw how much the marketers were putting intention behind their work, I think it opened their eyes to seeing how a corporate job and engaging in corporate work could enable this type of effort.

Simon Mainwaring:

Yeah. I think people have to believe in business again and in the authentic commitment of business to do good. And it is amazing to see the number of corporations let alone social enterprises or startups that are rallying together to solve these issues that are really compromising all of our future. Do you find these younger folk, are they optimistic? There was a report out by Vice not so long ago that 56% of young people globally believe that humanity is doomed, which is a very, very sobering fact. Do you get a sense of fatalism on their part? Or do you think they still believe that they can do something and they're showing up to do it?

Maddy Kulkarni:

I'm an optimist, Simon, so when I look out into the world and I see my students, I think I project optimism and so I tend to see it back. I don't want to live in this doom and gloom space and I feel like if we approach things with a this is going to be hard but I have the tenacity to do this work, I think we'll see that we'll find a lot of collaborators in this space.

Simon Mainwaring:

Are there any other sort of examples of collaboration out there that you see today that is inspiring you? I've seen the US plastic pact where all of the different retailers around the country are coming together to reduce the amount of plastic that they're using or Eco-Skies where the airlines around the world are coming together and they're allowing business travelers to offset their carbon footprint. Are there any examples of collaboration that you point to with your students or that inspire you?

Maddy Kulkarni:

There's one that I'm really proud of right now that our Quaker Oats brand has undertaken. They have partnered with CARE International, a large global NGO on working on malnutrition with kids. Quaker did this study where we realized that kids in Guatemala weren't receiving proper nutrition and they innovated around this cookie that would help deliver essential nutrients to these kids. And we've been working on this product for about seven years now through our PepsiCo Foundation. And for the first time, Quaker is putting its name on it and creating a marketing campaign around it with the help of CARE. And so we're partnering with CARE to figure out how do we get this cookie into the hands of kids in Guatemala? How do we measure the impact this is having on their health and nutrition? How do we measure that on a timeframe where typical marketing campaigns we can measure in the number of weeks or months from launch but this type of work takes longterm measurement and it's a bit more difficult to do. I'm really excited about this work and I'm hoping that we can take this work to other countries as well.

Simon Mainwaring:

And one of the sort of darker sides of marketing is the whole area of purpose washing, cause washing, local washing, work washing and so on. There are those companies out there that they may have good intentions but they use marketing to really reframe the brand out there but they're not making the substantive changes internally themselves. How does a company like PepsiCo, which has such a powerful portfolio hold itself accountable? And then what do you tell the students about the need for that?

Maddy Kulkarni:

Yeah. Simon, Pepsi's made mistakes in the past and I bring those mistakes up all the time within our organization so that we don't make them again because we definitely don't want to be purpose washing. We always want to lead with positive intent, prevent greenwashing all of this. We talk about it all the time. One campaign that I'm really, really proud of is our Doritos Rainbow campaign. And it's a campaign to champion LGBTQ rights and this campaign started back in 2015 in a very, very simple way. We had rainbow colored Doritos, very, very simple activation but every year the campaign has become more and more meaningful.

Maddy Kulkarni:

2019, the brand decided we really want to champion transgender rights and we actually partnered with a designer within our company to create this campaign. We wanted to feature the drag queen personas on front of pack. We couldn't do this authentically without our designer's help. His name is Vicente Arias and he helped create that campaign. It was authentically led through our employees who were transgender. It was his opportunity to actually share that part of his life with his coworkers. And in this sense, I think we build authenticity in the campaigns that we're launching so that we are walking the talk when we're talking about championing these causes and they start from how we're doing business and how we're treating our employees.

Simon Mainwaring:

And how does the two levels work together? The brands themselves like Doritos and then you've got the corporate brand or the parent company, the enterprise at the top. How do the stories align? I think it's very important that an enterprise stand for something these days, as well as the brands in its portfolio. How do you approach that strategically?

Maddy Kulkarni:

Yeah. PepsiCo as a conglomerate, as a large corporation has this ambition to develop a sustainable food system. We have goals around water stewardship and regenerative agriculture and net zero operations, diversity, equity and inclusion but then each brand has the power to say, "Okay, these are the causes that we're going to take up." And so it isn't dictated to them. The brand manager, the brand team gets to decide what's right for our brand. And so we look at this intersection of where's the brand fit for the cause we want to take up? What do our consumers care about? And where can we have a material impact? The sweet spot of those three things is where a brand then decides to lean in.

Simon Mainwaring:

Every major enterprise out there with a complex portfolio has COVID, it's got supply chain issues, it's got waste management, it's got circular economy, it's got all these things it's dealing with. What is the biggest challenge that you find when you discuss internally today at PepsiCo? Whether it's on behalf of PepsiCo uniquely or the food and beverage category more broadly, what's the big thing that everyone's working against?

Maddy Kulkarni:

To do purpose the right way I think is the big challenge. I think when I'm talking to brand managers at our company, there's sometimes a hesitation to do this work because of the fear of making a mistake and we have a lot of indulgent brands in our portfolio. They're fun for you brands. They should be eaten in moderation and sometimes our brand managers are a little fearful of will we look authentic if we try to take up certain causes? In that moment of indulgence, do consumers want to be thinking about climate change? Will it hit the right tone? When we're taking on gender equality issues, racial equality issues, will it feel authentic if it's coming from the brands in our portfolio? But to them, I say, "We need to give our consumers credit. I think consumers are craving for this type of purpose driven work and I think we shouldn't give up the fight. I think the time is right and we need our brands to take up the fight."

Simon Mainwaring:

I don't think it's an either or proposition and I think it's a real problem. We hear from a lot of companies that we work with that are like, "Oh, when do we talk about the taste than the crave appeal or whatever it might be about a product? And when do we talk about our purpose?" And they're two sides of the same coin. On the right channel at the right time, with the right audience, with the right content, you can lead with your purpose and then point to your products as social proof of that. And at other times, point of sale or an ad or wherever else it might be, you can lead with the product and its features and benefits and then point back to the purpose that is informing that. It's not an either or proposition, it's two sides of the same coin and it needs to be calibrated.

Simon Mainwaring:

Do you find in the students that you work with, there's almost a bit of naivete there? Do they sometimes say, "Hey, we just got to talk about purpose all the time or climate or the oceans and they don't get the sort of business reality at the same time?"

Maddy Kulkarni:

Actually it's the opposite, Simon. They feel like, oh, if I'm going into business, driving profits is my number one priority and that's what I'm expected to deliver for a for profit organizations that I might be working for. And I think this course is opening their eyes to purpose doesn't have to be sacrificed for profit and they can live together.

Simon Mainwaring:

And obviously PepsiCo's undergoing a massive transformation in terms of its own sustainability with a positive program that you mentioned. Tell us a little bit about that. And it's got to be a massive undertaking for the corporate brand with all your different sort of sub-brands out there to re-engineer them. Tell us about pit positive and then how do you go about that process?

Maddy Kulkarni:

Sure. This is Ramon Laguarta, our CEO's ambition for system wide transformation, with sustainability at the forefront of all the decisions that we make. He has this great example of how we bring Lay's to market, for instance, to illustrate what the system wide transformation looks like. He's like, "Think about the Lay's potato. Are we using regenerative agriculture practices in the way we're growing our potatoes? Is there crop rotation? Are we empowering our farmers with safety equipment? Are we creating demo farms and innovation hubs to teach regenerative farming practices? Safety practices? How do we use natural fertilizers and pesticides? Then how do we move, make our products too? How do we get to net zero operations in our supply chain? How are we transitioning to an electric fleet to deliver our products? And then what does the packaging look like for how we're delivering these products to our consumers? Are we using bio-based film? Are we getting to 100% recyclable, compostable or biodegradable packaging? Are we using recycled plastic in our beverage containers? Are we looking at the GHG footprint of all the products we're bringing to market?"

Maddy Kulkarni:

In this sense, we are looking at how do we bring to market our products in a way that has sustainability at the heart of all the decisions that we're making?

Simon Mainwaring:

Obviously this has huge time and capital cost implications and as we stand back as somebody reading the press every day, you go, "Wow, isn't that great that these companies are showing up this way." But the bottom line, when you look at the P and L, you've got your CFO sitting there, how do you justify these investments? Is it about risk mitigation to the company's reputation? Is it about relevance to the future? Because for the listeners to this podcast, it's nice to see more and more companies doing this but they also realize there's real business pressure that they've got to deal with.

Maddy Kulkarni:

Yeah. That's so true, Simon, because this work takes time and it's expensive to do. One example I can give to bring this to life is with a compostable packaging innovation that we have. You might remember for 2010, that SunChips compostable bag that we launched. It was the first ever 100% compostable packaging. Everyone was excited about it. We had tremendous passion for it. Actually, this was before I joined the company but I was excited about it as a consumer. And then when you got the package in hand, it was loud, it was crinkly. You couldn't hear your partner across the table and we had to take that product off market. The intention was there. The innovation was there but it didn't meet certain

consumer requirements but our R and D team iterated, iterated, iterated on this product and I was able to launch it again in 2018.

Maddy Kulkarni:

We first did a blind pilot in the US. We then did targeted pilots in Chile and India. This film is two times more expensive for us to make currently because we don't have the economies of scale that we do with our conventional packaging but we learned so much from those pilots and now we're looking at scaling that innovation globally because we have a better product. We're also looking at sharing this information and this technology with our competitors so that the industry is adopting this type of packaging. And with scale, the economies will get better for our PNLs but it's going to take time for the whole industry to scale up that way.

Maddy Kulkarni:

Yes, we are having those conversations on what's the PNL impact? And we're having to get creative. We had a green bond a few years ago that came out that set aside \$1 billion for our sustainability initiatives to fund those projects within our company. We're getting creative in the ways we do this but we know that this is the way we need to move forward.

Simon Mainwaring:

And speaking of moving forward, the three biggest polluters on the planet are the energy sector, the textiles, footwear in apparel and food. These are the ones that have the biggest supply chain footprint and the biggest sort of re-engineering shall we say, to do. What do you see as the future of the food and beverage industry? Where do you see it going? Or what are your hopes?

Maddy Kulkarni:

I think our consumers are asking us to be more socially conscious, more environmentally conscious. We have to be more intentional about how we're procuring our crops that go into the food that we're making. It can no longer be we just have to create something faster, cheaper and get it to market before someone else does. Consumers are asking the question, "Who's making the food that I'm eating? How are they treated? Are there human rights issues in the supply chain? Are we thinking about the environmental impacts of how we're moving, making and selling our products?" I think our food and beverage industry is going to get much more intentional about the way we do business.

Simon Mainwaring:

And I am a deep believer in the role and power of collaboration moving forward because I don't think any one company, any one billionaire, any one brand is going to solve for all these issues. In your daily practice at PepsiCo, how important is collaboration and these partnerships so that those listening can understand just how high they should prioritize that in terms of how they go about doing business.

Maddy Kulkarni:

It's super important the role that I'm in right now, Simon. As a liaison to Brands for Good, for instance, I'm doing work to help create tools that help our marketers create advertising content that's compelling as our conventional content that helps drive sustainable consumer behavior. When we look at sustainability advertising, there's a lot of doom and gloom out there. There's ice caps are melting. Polar bears are dying. And I don't think that message is resonating with consumers anymore. We need to

create advertising that helps give consumers an idea of how do they become a part of the change? How do our brands help them become a part of the change?

Maddy Kulkarni:

We're working together with P&G, with Nestle, with General Mills on this new tool to help our marketers with an insights tool that says, "Are my campaigns actionable? Are they shareable? Are they talkable? Do consumers find them compelling?" That took us about a year to create because every company has their way of doing insights. But now as an industry, we have this way to consistently measure, are we driving consumer change for sustainability? That's just one instance of how we've created a tool in partnership with other companies that we're using on a day to day basis at PepsiCo.

Simon Mainwaring:

And here you are educating the young minds that want to step into this space and accelerate these solutions, what would be one or a couple of the leadership traits that you think are so important for the next generation, as well as anyone listening, who's already in a position of power? How would you characterize leadership?

Maddy Kulkarni:

I think the number one leadership trait you need in this space is tenacity, Simon. This work is hard. It takes time. It takes effort and collaboration. It takes creativity. But to push this agenda forward, we need to stay in the fight and we need to be tenacious because this isn't easy work. And I think if we have that understanding of, hey, we want to make a difference but it's going to be difficult, it'll help us when the times get tough. But I would say, please be tenacious and don't give up the fight.

Simon Mainwaring:

And why are you optimistic? You said that you're an optimist earlier on and so on. And so am I, it's a conscious choice because I think it's a much more productive way to look at the world, especially when there's changes that need to be achieved. But why are you optimistic about the future? And maybe does this there something to do with the students that you teach all the time?

Maddy Kulkarni:

I see so much creativity that my students have. I see so much potential. I feel like they have such an appetite to do good in the world and I think it's our job as professors, as current corporate professionals to help set that framework for them to thrive in this type of work. I get my optimism from my students, for sure.

Simon Mainwaring:

I have to say, I want to say thank you so much, Maddy. Not only for the work that PepsiCo's doing but also for really investing your time personally and your skills in the next generation of leaders because they're going to accelerate the good work that we're all trying to do. And they're going to kind of come up with ideas that we would never have imagined on our own. And so I really, really respect the time that you're investing in that next generation. And thank you for the insights you shared today.

Maddy Kulkarni:

Thank you so much, Simon. I really appreciate the opportunity and I've had such a good time.

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Simon Mainwaring:

Thanks Maddy.

Maddy Kulkarni:

Thanks Simon.

Simon Mainwaring:

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