

Andy Pearson Finds Love

By: David Dorsey [Wed Dec 19, 2007 at 12:29 AM](#)

Twenty years ago, as CEO of PepsiCo, Andy Pearson was named one of the 10 toughest bosses in America. Now at Tricon, Pearson has found a new way to lead -- one based on personal humility and employee recognition.

High above Tennessee, the leaders of Tricon Global Restaurants Inc., the largest restaurant chain in the world, are having a casual but strategic conference in one of their corporate jets. Andy Pearson may be sitting in front -- but you'd never know he is one of the two men who run this company. Like all of the others, he wears a golf shirt that bears the logos of their three restaurants: KFC, Pizza Hut, and Taco Bell. He comments lightheartedly on the ideas that the others are advancing about partnering with another food chain -- multibranding in their restaurants for variety. Maybe they'll put a Baskin-Robbins inside Taco Bell. At 30,000 feet, all ideas are good: Pearson isn't about to bring anyone down to earth from up here.

And that in itself is a huge change in Pearson's leadership style. This is the new Andy Pearson, a man who, now in his mid-70s, has transformed himself into a new kind of boss. The old Andy Pearson ran PepsiCo Inc. for nearly 15 years, driving revenues from \$1 billion to \$8 billion. Back then, he was known for his skills at bringing people down to earth, from any altitude. His chief weapons at the time were fear, surprise, and a fanatical devotion to the numbers. In 1980, *Fortune* named him one of the 10 toughest bosses in the United States. Pearson was singled out for the relentless demands that he put on his people. As one employee put it, Pearson's talents were often "brutally abrasive."

He was an effective CEO: His style worked. Pearson raised the bar for even the most outstanding performers. Nothing was ever quite good enough for him -- even in situations where results were better than projected. One PepsiCo manager, for example, agreed to increase the volume of his unit's business by 12% that year. Instead, he racked up a 15% gain -- and came to his performance review expecting at least a smile from his boss. Instead, Pearson pointed out that the market had grown even faster than this manager's operation and suggested that his performance had better improve.

Twenty years later, Pearson is still proud of having been included in the *Fortune* article. And he's still unapologetically tough. Over the years, he earned a reputation for his relentless, Socratic, two-word interrogation in meetings: "So what?" Every year, without hesitation, he fired the least productive 10% to 20% of his workforce -- and he still thinks it's a good idea to let go of a certain layer of the company's lowest performers. But now he's learned to demand high standards in a different way. "There's a human yearning for a certain amount of toughness," Pearson says. "But it can't be unmitigated toughness."

These days, Pearson is focused on a different, more positive emotional agenda: "You say to yourself, If I could only unleash the power of everybody in the organization, instead of just a few people, what could we accomplish? We'd be a much better company."

You can see this new attitude in the way that he speaks and listens, even up here, at this altitude, in a cushioned swivel chair. Pearson presides over this brainstorming session, tossing pithy cautionary asides into the air. He points his words with barbs of humor to make them stick. Tricon's chairman and CEO, David Novak, is the official leader of this group, this meeting, and this company. Yet Pearson's wisdom holds everyone in thrall. At the age of 76, he's been doing this sort of thing twice as long as anyone else on the jet. Everyone listens, over the drone of the turbines, when Pearson speaks. Even Novak listens, often leading the company by following Pearson's line of thought. Pearson just offers up what he knows and lets it sink in.

Someone suggests opening an all-night restaurant. Pearson doesn't think it would work, but he doesn't say so, at least not directly. He finds some nugget of intelligence in the idea and offers what he sees as "the challenge." "For Kinko's, being open all night is a big thing," he says. "But you would have to preempt the category. You can't share it." The suggestion is, if people want to tackle the challenge, he won't stop them. But they've been warned.

Pearson guides -- but he doesn't control. He used to make a living running companies. Now he *governs*. The shift is more radical than it may sound.

Performance From the Heart

As founding chairman and former CEO of Tricon (Novak took over the post in January), Pearson feels that he has arrived at a personal inflection point that has universal significance -- although he can't pin down any particular moment when the change occurred. He has learned some of his new leadership skills by watching Novak inspire the company with warmth, energy, and charisma. Yet the roots of his change go deeper.

Pearson has had several different careers. He spent 14 years as president and chief operating officer at PepsiCo, learning the business of soft drinks, snack foods, and restaurants. Before joining PepsiCo, he was a senior director at McKinsey & Co., the global consulting firm, where he rose from associate to senior director and was in charge of the firm's marketing practice.

After PepsiCo, he taught at Harvard Business School, where he wrote many articles for the *Harvard Business Review*, such as "Muscle-Build the Organization" and "Tough-Minded Ways to Get Innovative" -- aggressively Pearson-esque articles that summarized the elements of his macho leadership style. He joined the leveraged-buyout firm Clayton Dubilier & Rice in 1993, then joined Tricon at Novak's insistence. "I told him it would be really meaningful if he would join me at Tricon," Novak recalls. "He could call himself anything, do anything."

At Tricon, Novak has established a culture that elevates the common worker in a way that brings out the emotional drive and commitment that is at the heart of good work. As a result, Pearson has seen employees weep with gratitude in reaction to nothing more than a few simple words of praise. Where before he might have dismissed that kind of display as sentimentality, he now recognizes emotion for what it is: the secret to a company's competitive edge.

It's a new way of thinking, as much as a new way of feeling. When Pearson came to Tricon, he absorbed what he saw in Novak's style -- and realized it was more than a style. It was a *method*. Almost overnight, Pearson saw how the human heart drives a company's success -- one person at a time -- and how this kind of success can't be imposed from the top but must be *kindled* through attention, awareness, recognition, and reward.

The logic was clear: If the need for recognition and approval is a fundamental human drive, then the willingness to give it is not a sign of weakness. It's a lesson that has changed Pearson's own definition of leadership. "Great leaders find a balance between getting results and how they get them," he says. "A lot of people make the mistake of thinking that getting results is all there is to the job. They go after results without building a team or without building an organization that has the capacity to change. Your real job is to get results and to do it in a way that makes your organization a great place to work -- a place where people enjoy coming to work, instead of just taking orders and hitting this month's numbers."

The Smartest Guy in the Room

Not that there's anything wrong with hitting -- or exceeding -- your numbers. Under the leadership of Pearson and Novak, Tricon has increased its store-level margins from 11% to 15%, boosted operating profit by 32%, and cut its debt in half, to \$2.5 billion. Tricon's leaders credit those numbers directly to their new culture of employee recognition. All of this has made Tricon a \$22 billion retail operation with more than 30,000 restaurants and 725,000 employees worldwide. (It opens a new restaurant somewhere around the world every 10 hours.) Spun off of PepsiCo in 1997, Tricon's brands have worked their way into the fiber of people's lives. In China, there is a life-size statue of Colonel Sanders outside almost every KFC, and families there actually have to reserve their Thanksgiving bucket of chicken. (KFC imported the American holiday as a marketing ploy.)

When Novak invited Pearson to join the team, Pearson agreed, with one stipulation: "You are going to run this company. You will answer to me, but everyone else will answer to you."

"We'll do this together," Novak replied. "We can learn from each other."

When Pearson showed up at Tricon's corporate offices in Louisville, Kentucky (also the headquarters of KFC), the staff had a little surprise waiting for him. When he drove up, he saw hundreds of employees cheering. There was even a band playing to celebrate his arrival.

"All the time I was at Pepsi, nothing remotely like this had ever happened," Pearson says. "It was overwhelming. I knew something was going on that was fundamentally very powerful. If we could learn how to harness that spirit with something systematic, then we would have something unique."

Pearson's mission was manifest: to refine the new soul of this old machine into something rigorous, systematic, and shrewd -- without destroying the generosity and warmth at the heart of it. The awe that he felt eventually became a profound respect for Novak's achievement. For Pearson, Novak has become something of a guru over "soft-side" issues, just as Pearson remains Novak's mentor on the "hard side."

This change of heart for Pearson -- this stance of humility as a management style -- became immediately apparent to everyone around him. Those who already knew him saw the transformation right away. Pearson had always been known as the quickest study around; he could learn a lesson in a matter of seconds. But he used his mental quickness as a weapon to see through the faulty logic of the people who reported to him, enabling him to prove how smart he was -- particularly compared with *them*.

"I proved that I was smart by finding fault with other people's ideas," Pearson says. "I remember bringing one of our market-research women to tears because I told her that the information she was gathering wasn't producing anything. I could just see the breath come out of her. I realized that in today's world, you can't treat people that way. First, people have so many more options than they used to. They can leave -- and you can't find more talent just by turning over the next log. Second, that kind of treatment demoralizes people. I don't think that woman was ever the same. If you're not careful, you might discard a very good person. There are a lot of ways to ask tough questions without killing somebody." The result of Pearson's new awareness: "I think I've gone from making my way by trying to be the smartest guy in the room to just asking questions and insisting that the answers be reasonable and logical."

Aylwin Lewis, Tricon's chief operating officer, started working with Pearson three years ago, before the new Andy had completely emerged. He's the first to point out that, even after his change of heart, Pearson has lost none of his business acumen -- nor his ability to be blunt. But the old Andy was often known to be, well, a little too blunt.

"I used to read his stuff in the *Harvard Business Review*," Lewis says. "But Tricon was the first time I had personal contact with him. He was brutal. He'd just beat the crap out of us. I remember one time he told us, 'A room full of monkeys could do better than this!' That was only three years ago."

Pearson had a powerful influence in Lewis's own career development. Lewis had become disgruntled with the way that Tricon was working. He felt overlooked. And although he believed that he was totally committed to the company, others saw only his discontent.

"He was constantly threatening to leave," Pearson says. "One day we were driving from one store to another, and I told him, 'The problem I've got with you is that if something happened to you and you died, I don't think I could get two people in top management to carry your casket. We all want you to succeed. But you're making it impossible.' He asked me why. I told him, 'You don't come to meetings, and you're constantly bitching.' That was a year and a half ago. Now he is the most productive guy we have in top management."

In retrospect, it may sound like a throwaway line. But in fact, the key sentence that Pearson said to Lewis was, "We all want you to succeed." When he said it, Pearson *felt* it -- and Lewis knew it. Pearson may have been blunt, but he was reaching out to Lewis to help him, rather than to browbeat him.

Later, when they were by themselves, Lewis approached Pearson with a few words: "Andy, you changed my life."

Letters That Bring Tears

Pearson's new leadership style is more than a way of relating to people. It involves the nuts and bolts of what he does from day to day, the processes that define the company's operations. Where before, Pearson would have dealt with only a small team of direct reports, he now seeks contact with people at all levels. It's his responsibility to motivate people across the company. He now believes that it's less important to issue orders than it is to seek answers and ideas from below. His job is to listen to the people who work for him and to serve them. He believes in firing those who don't perform. But more important, he's committed to making a strenuous effort to find a proper place for the talented ones who, for whatever reason, aren't living up to their potential.

"My old mantra was to influence the direction and behavior of a relatively small circle of direct reports," Pearson says. Now he and Novak move their values and ideas across the organization through programs such as CHAMPS, which rewards employees for recognizing the best practices of fellow workers, and through regular visits to the restaurants, during which they study those practices and reward people for good work.

"We need to make an enormous effort so that people feel that their individual contribution is vital to our success, starting with the store manager," Pearson says. Doing that requires a relentless sacrifice of shoe leather. "I was out in stores twice in the past two weeks," Pearson says. "I had a chicken burrito and a chicken taco the last time I was out. They didn't have any taste! Couldn't we put something in there? Salsa or something? You need a product that sends people into orbit. Retail is detail. Little ideas and details parlayed over the course of the year make a huge difference. Set the example. That's leadership."

Pearson has become a mentor to a group of leaders inside Tricon. "I spend a day with them, like a playing lesson with a golf pro," he says. "They talk to me about how they're doing. It's friendly. I get one or two letters a week from people saying, 'I can't believe that the founding chairman of the company would come and spend an hour just to talk with me.' I get letters that would just bring tears to your eyes."

How do you spell "yum"?

In Dallas, at the headquarters of Pizza Hut and Tricon International (a division of Tricon that handles the company's overseas business), 1,000 people have assembled in the long, high-ceilinged atrium for Tricon Founders' Day 2000. For Pearson and Novak, this is what the business is all about: a celebration of numbers hit and cultural commitments kept. Today, the leadership duo will honor four outstanding general managers in front of thousands of people who will watch both here and in other cities via satellite.

Overhead, a banner reads, "The Customer Is Why." Novak is already into his speech: "Our same-store sales will go up, not down. You never go down when you're satisfying customers. We're a company of customer maniacs."

People shake noisemakers built from two paper plates pasted around popcorn kernels. Up front sit the general managers, the four with the company's highest CHAMPS scores. Novak launches into a cheer: "Gimme a *Y!* Gimme a *U!* Gimme an *M!* What's that spell?"

"YUM!"

"What's that spell?"

"YUM!"

"What's that spell?"

"YUM!"

The audience screams and does a wave, like spectators at a football game. "This is the loudest Founders' Day welcome in history," Novak says. He shouts out the glowing numbers: Earnings per share are in the

double digits and growing, and debt has been reduced by more than half. "You can count on one hand the number of companies that generate that kind of cash," Pearson adds.

It's quite a show. As the two of them play off of each other, it becomes clear how warmly the corporation has embraced Pearson, who has assumed an almost iconic persona: the Big Bad Guy. He's the gatekeeper, the guy who throws ice water on the coach *before* the game. But with Novak by his side, with the endorsement of the feel-good CEO, Pearson becomes loveable. His employees trust him. The new Andy can make fun of his own toughness -- and be tough at the same time. He is tough love.

"Our same-store sales were down a percentage point," Novak says. "We need to bring that up."

It's the only bad number, but it's a big one, a key measure. You can keep increasing overall revenue by opening new stores around the world, but if you aren't increasing productivity and sales per store, at some point you run out of places to expand.

"We've got to get maniacal," Novak tells the crowd. "I'm talking about satisfying our customers every day. In 30,000 stores, we have to make that happen every day. It's all about motivating through recognition and celebration. We will be the biggest restaurant developer in the world."

It's time to call up the four winning managers. Awaiting them is the YUM award: a huge set of false teeth that walks when wound up. The managers are humble and moved as they accept their award. They are being singled out for recognition in front of the entire company. It means a lot.

Novak does what all great leaders do: He pays homage to these four managers as leaders. "They have created a work environment where they can come to work and be excited about what they do," he says. "The work environment that these leaders have created is the best I've ever seen."

As the event winds down, Novak asks Pearson to reflect on his career so far at Tricon. And it's Pearson who gets the loudest cheer of the day when he tells the crowd, "My experience at Tricon represents the capstone of my career."

In person, without the cheering crowd around him, Pearson is even more appreciative of the change that he's gone through. In his Connecticut office, on the table near his couch, is KFC rubber chicken number 227 -- the one that Novak gave him in 1997 when he joined the company. On the side of the chicken, Novak had written a note: "Congratulations on being the first chairman and CEO of what is sure to be the best restaurant company in the world. You are clearly our Big Chicken around the world."

What's the lesson for other CEOs? "Ultimately," Pearson says, "it's all about having more genuine concern for the other person. There's a big difference between being tough and being tough-minded. There's an important aspect that has to do with humility. But I've been modestly disappointed at how hard it is to get leaders to act that way. I think it's going to take a generation of pounding away on this theme. We've got a half-dozen or so real leaders in our company, but we don't have 20 or 30. You know what it takes? Role models."

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