

# **Fast Track Up**

# **The Corporate Ladder**

**From Bean Counter to CFO**  
**How Thinkers Become Leaders**

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## **The Eight Step Guide to Fast Tracking the Corporate Ladder**

**One: Take Control and Seize the Imitative.** When I was just 32, PepsiCo gave me three short days to determine whether the company ought to spend hundreds of millions of dollars to purchase Taco Bell. Even though I had never handled an assignment of that magnitude, I realized it was a once-in-a-lifetime opportunity that could change my career. And the same can happen to you. It's not true that an accountant can only be the head of accounting and not the CFO. My career is proof of that.

**Two: Broaden Your Horizons.** Be ahead of the game. Review competitors' websites, read publications, keep abreast of developments in your field, and learn as much about your business and the industry as possible. At the same time, learn how to establish connections with key colleagues. When you broaden your perspective using my techniques, you'll be able to anticipate and benefit from upcoming trends, which will turbo-charge your career.

**Three: Step Up To the Challenge.** Be willing to take on tough, non-traditional jobs, or challenging situations that may seem daunting at first. That's what happened to me when I was called upon to address a financial reporting crisis in PepsiCo's international bottling units. By taking on these kinds of challenges, you can significantly enhance your reputation and set yourself apart from the crowd.

**Four: Have Integrity, No Matter What.** Integrity is the bedrock quality for any senior executive. It means objectively providing the facts and "telling it like it is" without sugarcoating, no matter what the consequences might be. When you have

integrity above all else, people will have confidence in you. It's the foundation for any successful career.

**Five: Get Involved in Acquisitions.** By contributing to special projects in high visibility areas, such as acquisitions and international business development, you can shine in the eyes of senior management and propel your career to new heights. That's what happened to me when I was involved in the Taco Bell acquisition and during many other acquisitions throughout my career.

**Six: Build Strong Relationships with Your Network.** It was not just the connections I made that contributed to my career; it was developing and nourishing those relationships, year after year, and finding ways to add value to them that made the difference. The people in your network are your conduits to the outside world. They can provide you with the knowledge that gives you power, if you apply the strategies I share.

**Seven: Learn from the Masters by Finding a Mentor.** Finding the right mentor was a key factor in my career success, and it can be the same in your career development and entry into higher management. I was fortunate to have had amazing bosses at PepsiCo, each considered a titan in his field. They taught me every aspect of the business. In addition, as a junior executive you need to understand the etiquette, politics, and unwritten rules of your company's culture if you want to progress up the ranks. A mentor can help you do that.

**Eight: Develop Future Leaders.** Developing future leaders not only benefits the company, but will help you accelerate your ascent up the corporate ladder. Early in my career I volunteered to accompany our recruiters on their campus visits to

identify talent, and in my networking I was always on the lookout people who would be a good fit for PepsiCo. The ability to attract, develop, and retain exceptional talent is an important factor in being considered for senior leadership promotions.

## **Chapter One**

### **From Bean Counter to CFO**

It was 3:45 p.m. I was on my plane to L.A. It was now up to me—and me alone—to decide, within the next 72 hours, whether or not PepsiCo should acquire Taco Bell. I was just 32 years old and never thought I'd be given the assignment to determine whether the company ought to spend hundreds of millions of dollars for a major acquisition. I realized it was a once-in-a-lifetime opportunity that could boost my career in ways I never could have imagined—or break it, if I gave the wrong advice. I knew nothing about Taco Bell. I had never eaten in one. I'm a little Jewish kid from Queens. Mexican food is not what I grew up eating.

During the flight, I asked the crew not to bring me any drinks or food. I had to get focused. I thumbed through the financials and quickly realized that with such tight time constraints, my priority must be to identify the key issues and questions.

There was no time to waste on anything that wasn't crucial to the deal. Before the plane landed in Los Angeles, I had to develop a solid strategy that would allow me to obtain all the information I needed before the deadline. So for the six-hour flight all I did was sit and ponder the most important questions I had to ask about the deal. The time went by fast. Before I knew it, the plane was descending.

When I got into the limo at Los Angeles Airport, I asked the driver to take me to the nearest Taco Bell. I needed to find out the basics about Taco Bell, from the ground up. And the best way to do that was in the front lines of their restaurants, not in their corporate suites.

## Ordering Everything on the Menu

Just imagine the look on the face of the guy behind the counter when I told him I wanted to order everything on the menu. Now imagine the look on *my* face when I discovered how good the food was! In those days, a taco was only 29¢. It contained meat, cheese, and lettuce, just like a hamburger, but with a crunchy “bun”. I was impressed by the satisfying mix of textures and flavors that came at such a low price.

We stopped at every Taco Bell between the airport and my hotel in Irvine, and I sampled food at each one, taking a bite of every item and scribbling notes as we drove to the next outlet. There were about 25 to 35 Taco Bells between the airport and Irvine, and I ordered the entire menu at every single one. Needless to say, I wasn't very hungry when dinnertime rolled around, but I had gained valuable information.

Besides tasting the food, I saw up front how the restaurants operated and made some interesting observations. The food was great, and yet it was made with a limited number of ingredients. The burrito and the taco had the same ingredients, so it was an easy operation and made it very efficient to operate the kitchen. Everything Taco Bell offered was at a very low price point; there were only a few products that cost more than a dollar. It was a quality offering at a good price for the customer. I was impressed.

When we finally made it to the hotel, I was dead tired. It was midnight PST, but my east coast body thought it was 3 a.m. Still, I found it difficult to sleep. I woke up at 4 a.m. PST (7 a.m. EST) and for almost four hours I paced the room, running

facts and figures through my head and wishing for the clock to move faster. I finally gave up, got dressed, and went downstairs to wait in the lobby for David Sagal, the controller of Taco Bell.

When he arrived to pick me up, he asked, “Are you hungry? Why don’t we stop by a Taco Bell on the way to the office?”

Still stuffed from all the tacos, burritos, tostados, and Bellbeefers I had sampled the night before, I politely passed. “Thanks, but I saw them all yesterday.”

David practically did a double-take. “You’ve seen them all? There are about 25 Taco Bells in this area!”

I smiled and patted my stomach. “Sounds about right. I ate at all the ones between here and the airport.”

“No wonder you’re not hungry. That’s a lot of Mexican food.”

“Yes,” I agreed, “but it was good!” I was pleased when he laughed.

## **Outnumbered**

At the headquarters of Taco Bell I was escorted to a conference room. David, being my primary contact person, introduced me to Bob McKay, the president of Taco Bell, their lawyer Jerry Kaplan, and the investment bankers and members of the senior management team who were also in the room.



“Welcome to Taco Bell, Len,” Jerry Kaplan said as he shook my hand. “I’m the corporate attorney and one of the members of the senior management team. When is the rest of your team arriving?”

“It’s just me, Jerry,” I said with a laugh. “I *am* the team.”

I was kind of out-numbered. The philosophy of PepsiCo was, “One ranger, one riot.” So here I was, all by myself in a room full of people, with everything resting on my shoulders.

I could see it was hard for them to believe that PepsiCo would send one lone person to make such an important decision, but Jerry took it in stride. “Then let’s get to it,” he said. “Our financial team has gathered the key information for you to review. I recommend you start with these.” He handed me a stack of papers. “Let’s get you some coffee. Sugar? Milk?” Jerry seemed the kind of person who took the lead no matter what needed to get done. “We’ll stay in the room with you in case you have any questions.”

I sat there holding the stack of papers, trying not to stare at the boxes and boxes of additional files piled up all over the floor. There was no way I’d be able to go through all these documents in three days to assess the value of the company and determine whether it would be a good acquisition for PepsiCo. Fortunately, I had no intention of even trying.

### **Focusing on the Essentials**

During the flight to Los Angeles, I had reflected on my approach. The executive team of PepsiCo had put their full trust in me, and I was not going to let them down. They could have selected anyone to go, yet they had chosen me and only me. That fact plus the time limit had forced me to pare my entire evaluation process down to its most vital components.

So, to everyone's surprise, I didn't immediately dive into the documents Jerry had just handed me. I took a sip of my coffee, set the stack of papers aside, and turned to David, the controller.

“David, there are only three things I need. Number one, I'd like to see the financials of the best Taco Bell market in the system. Second, I want to see the ranking of restaurants, high to low volume, sales volume by market. What is your best market, your second best market, etc. If you could, please give me the top 25 markets. Third, I need to know the basic business economics. What is the cost of sales? What are the margins for key menu items and for the restaurants overall? What is the return on investment for new restaurants? And what are the economics of franchising—the fees, expenses, and estimated returns to franchisees?”

David nodded, left the room, and came back a few minutes later. “Here's the P & L of the Taco Bell restaurants in Detroit.”

“Detroit?” I asked, dumbfounded. I knew Detroit fairly well. The city didn't have a large Mexican-American population. How could it be Taco Bell's best market in terms of average sales per store and margins?

“Yes, we're very popular in Detroit,” David assured me.

“Why?” I asked.

Someone on the other side of the room answered. “Customers, especially the workers in the automotive plants, appreciate that we’re giving them a lot of good food for a reasonable price.”

I knew for a fact that was true. It was exactly what I had observed the day before when I got my first order. Had I not tested the food, I would have to have taken that answer at face value.

“Detroit is our #1 market,” David added. When I asked him about Los Angeles, he said, “L.A. is somewhere in the middle. Charleston, West Virginia has the reputation for having a lot of fast-food restaurants, and we’re performing very well there, too. Lots of people work late shifts in the mines. They’re hungry when they go home at 2 or 3 a.m., and they like our food.” In fact, I later learned that the Charleston unit was the highest volume restaurant in the system at the time.

My underlying premise was to find out if Taco Bell was a regional chain. Was it popular only in markets with large Mexican-American populations, like Texas, Arizona, and California, or might there be national potential? It was my belief that PepsiCo would not be interested in a regional brand.

### **Seeing the Hidden Potential**

From the revenue ranking, I realized that Taco Bell’s attraction wasn’t an ethnic thing. It confirmed that company’s market was the blue-collar Quick Service

Restaurant consumer. If tacos could make it in Detroit, the restaurant could expand to many other cities with the same profile.

“How many restaurants do you have in Detroit?” I asked.

David scrolled through some papers and answered, “Fifteen. The Detroit population is over 1.5 million.” That made me wonder why there weren’t more restaurants. David explained, “We open only a limited number of restaurants each year, in order to control our expansion. Our president, Bob McKay, has seen too many concepts that develop more sites than they can properly evaluate, and more restaurants than they can effectively supervise each year, only to see many of them fail for lack of business.”

Their plan was to open 100 restaurants per year in new markets. I saw a huge opportunity for even greater expansion. Clustering restaurants a larger number of restaurants in existing markets would make advertising and promotion more efficient, and therefore all the restaurants would benefit. Introducing new restaurants in cities where the Taco Bell brand was less known would require much more effort to reach profit levels.

I knew that if PepsiCo acquired Taco Bell, we would accelerate expansion. If it worked, we would continue. If not, we wouldn’t do it again. So I changed the subject to another point that concerned me: “How come you don’t have drive-thrus?” All successful fast food restaurants had drive-thrus, and it didn’t make sense to me why Taco Bell wasn’t one of them.

“We’ve looked into it,” President Bob McKay answered, “but Mexican food doesn’t travel well. It doesn’t taste good when it gets cold.” Bob was concerned that the restaurants would lose dine-in customers if customers had a bad take-home experience.

“Well,” I said, “couldn’t we buy packaging to keep the food warm?” I spoke carefully, afraid that I might offend them with such a simple solution.

“It wouldn’t taste the same, though,” Bob objected. “If someone had a long drive home, the food still wouldn’t stay warm enough to maintain our taste standards.”

The fact that Taco Bell didn’t have drive-thrus was a huge opportunity, even though the current management didn’t agree with me. I wanted them to see that we were on the same page and that PepsiCo could help them, but I didn’t want to push too hard, not at this stage.

Bob McKay was a great guy, but it was clear to me that he wasn’t comfortable delegating. When I asked him how he decided where to open a new restaurant, his answer was, “I visit each proposed site before we approve it.” I made a mental note. In the world of PepsiCo, it was all about grooming people to take on more responsibility. For Taco Bell to grow, Bob would need to become more comfortable delegating to his key executives.

I continued to ask the questions I had prepared on the plane, and each time I requested new information, someone would leave the room and come back with the exact papers I needed. Even with my preparation and strategy, I couldn’t imagine how I would ever wade through all the facts necessary to come to a

decision within 72 hours, but as the day progressed I became more and more convinced that I was on the right track.

When Wednesday dawned, the miracle was accomplished—I had all the information I required. I knew that Taco Bell was going to be offered at a fair price. If we didn't offer enough, they would sell to the other buyer. But if I could identify opportunities, we could increase the revenue and the deal would be worth it.

### **‘Will You Bet Your Career on It?’**

Taco Bell's Board meeting was scheduled for the next day, so I had to give my answer soon. A lot had happened since I had arrived, and now it was time to report back to PepsiCo. I used Bob McKay's office to have a conference call with Andy Pearson, the President of PepsiCo, and Don Kendall, the Founder and Chairman of the Board.

“So, Len, tell us what you got,” said Andy.

I provided a brief overview of my findings. “The schedule of product margins and economics indicate that there could be a potential for margin improvement by slightly increasing the menu prices, which would still leave us in a favorable competitive position with other fast food chains. However, the franchising analysis indicates that the initial fee structure doesn't provide adequate compensation to Taco Bell for granting the exclusive franchises. They're selling too cheap.

“There are a lot of opportunities for upsides, though. Many Taco Bells don’t have dining rooms, only outside seating, and weather doesn’t permit people to sit outside throughout the year. They had thought about adding dining rooms, but it costs money. They also don’t have drive-thrus. Adding both dining rooms and drive-thrus will significantly increase the revenue.

“Last but not least,” I went on, “the attractive return on opening new company-owned stores, particularly by clustering them in high volume markets, suggests that a shift in development mix to company markets and selective franchise acquisitions could be a source of incremental shareholder value. The numbers clearly indicate that Taco Bell is not a regional chain. Looking at the different opportunities, this can be incredible transaction for us. We would get a good return on our investment. I can go over the details if you want.”

After giving the PepsiCo team the summery of my findings, they were silent for a moment. Then Andy spoke. “Len, I have just one question for you.” That was interesting. I had expected that they had done the analysis on their end and would bombard me with questions, making sure I didn’t miss anything. “My question is,” Andy continued, “how confident are you of your conclusion? Confident enough to bet your career on it? You see, if we acquire Taco Bell, we’ll want you to move to California as its CFO.”

I was speechless. This was an exciting opportunity. I didn’t mind moving from New York to Los Angeles, but how was I going to convince my eight-month pregnant wife?

Don, the Founder and Chairman of the Board, chimed in. “Len, what is your answer, yes or no?”

This was it. If I hesitated, they would think I wasn’t that sure. I pulled myself together and replied with gusto, “Yes, I’m willing to bet my career on it.”

“Great!” Don said with satisfaction. “Get the final deal terms while we poll the Board. You met the 72-hour challenge. Now let’s work with Taco Bell to get the agreements in place.”

I was thrilled. Who would have thought that the person working as a bean counter at an accounting firm eight years ago would have helped pull off a major acquisition and be on the path to becoming the CFO of Taco Bell?

### **Takeaways!**

At the end of each chapter, I’ll be summarizing the main points I’ve made, in the form of “takeaways.” So here are the key takeaways for the first chapter:

When the Taco Bell opportunity came my way, it once a once-in-a-lifetime chance to accelerate my career. I didn’t waste that chance—I was thoroughly prepared and took full advantage of it.

And that is what this book is all about—being fully prepared when the next opportunity comes your way and taking full advantage of it. Positioning yourself for your next promotion is the intersection of preparation and opportunity. And if you know how to prepare yourself, then you won’t waste that opportunity.



Through my Eight Steps, I will show you how to make the most of the chances and breaks that come your way. But first, let's review what I did to make the Taco Bell deal work—principles that you can apply to any challenge or opportunity that comes your way, and that will surface again as we go through the Eight Steps:

**Takeaway No. 1: Know your business from the ground up.** It would have been easy for me to avoid eating at a Taco Bell and just stick to the financials. Whether it's an acquisition situation or your own business, you should know the business from the ground up, from the customer's point of view. The view from the executive suite can be very limited.

**Takeaway No. 2: Pare any task down to its essentials.** Confronted by my deadline, I had to focus on the most important information needed to accomplish the task. This is what you should do in any high-stakes, pressure situation: focus on the essentials above all else.

**Takeaway No. 3: Understand value.** By thoroughly acquainting myself with the menu at Taco Bell, as well as its financials, I was able to understand the fundamental value the company offered to its customers. Without that perspective, I would have been operating in the dark.

**Takeaway No. 4: Have a long-range strategic view.** By looking closely at the company's markets, potential for expansion, and the growth that could be gained drive-thrus and dining rooms, I was able to look beyond the status quo of the present to see the outstanding potential the future offered.

You, too, can turbo-charge your career by being fully prepared when opportunity knocks. All it takes is following the Eight Step process I've developed.

So let's get started with Step One—knowing how to take control and seize the initiative!

## **About the Author**

Len Schutzman has a unique combination of corporate and entrepreneurial experience.

He was a senior executive at PepsiCo for more than eighteen years. He served as chairman of the board of directors at the Business Consortium Fund, which provided growth capital to minority-owned businesses.

Len is an Executive Professor of Business Administration at the William E. Simon Graduate School of business, and is managing director of Leonard Schutzman associates, which provides consulting services to emerging growth companies.

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