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Managing Corporate Strategy, Governance and Ethics in the Turbulent Global Environment

(A Case Study Of PepsiCo Inc.)

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Abstract: **In today's business world, many businesses are facing increased pressure from their competitors, shareholders and surrounding environments than before. As a result, organizations that wish to continue in operation have to adopt different strategies for its long-term sustainability whiles maximizing shareholders' value. However, corporate social and ethical responsibilities have become a superior expectation rather than a differentiation strategy to gain organizational legitimacy (Bruhn-Hansen, 2012). Therefore, this study critically examines the corporate strategy, governance and ethical practices of a very successful global organization PepsiCo Inc. and how it has been successfully managed in today's global business environment. In this regard, Porter's five forces and SWOT analysis were used as the major analytical tools for the study. The main source of data used was secondary data which focused on information from books, the Internet, and articles from scholarly journals.**

The study has revealed that, the company over depend on its domestic market especially in North American countries in marketing and selling of its products. Based on the findings, PepsiCo Inc. needs a more comprehensive ethical policies to ensure the production of a healthier and safer products, and must also not fail to consider socio-cultural factors in the context of its operations especially in its advertisement. The study concluded with the view that PepsiCo must improve upon its CSR, corporate strategy, ethics and corporate governance policies in order to produce outcomes which will satisfy stakeholders' interest positively.

Keywords: **Corporate governance, Strategy, Ethics, Corporate Social Responsibility, PepsiCo Inc.**

1. INTRODUCTION

In today's ever-changing competitive business environment, with increasing stakeholders' interest, organizations' are very much concerned with how to satisfy the interest of their various key stakeholders whiles maximizing profit (Vogel, 2005). As a result, every organization has its own well-structured corporate strategy, goals, and core principles serving as a guide towards the achievement of its mission and vision. However, corporate governance has now become a major issue of great concern for many organizations in today's business world owing to high competition and higher incidence of corporate scandals and dysfunctional behavior among managers (Goldman, 2009).

According to Catalyst Consortium (2002), within the world of business, the main responsibility for corporation has historically been to make money and increase shareholder value. That is to say, corporate financial responsibility has been the only bottom line driving force. However, in the last decade, there has been a shift defining broader corporate responsibilities for local communities, the environment, working conditions and ethical practices has gathered force and taken hold. As a result, organizations are increasingly recognizing ethics in their operations, socially responsible and embracing corporate governance frameworks.

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In this 21st century, stability and prosperity will much depend on the strengthening of capital markets and the creation of strong corporate governance systems (Fernando, 2006). Effective corporate governance application demands a system of quality checks and control measures to clearly define the boundary of authority to limit the abuse of authority or power by managers. Considering the pace at which change is increasing, effective corporate governance is viewed as being needed to enable corporations respond to, effect, and even lead change (Monks and Minnows, 1996). Corporate governance is more than just board processes and procedures. It involves the full set of relationship between a company's management, its board, its shareholders and its stakeholders, such as its employees and the community in which it is located (Fernando, 2006).

1.1 PURPOSE OF THE STUDY:

The purpose of this study is to critically evaluate the corporate strategy, governance and ethics of PepsiCo Inc. and how it has managed to achieve its corporate goals today's dynamic business world.

1.2 JUSTIFICATION FOR CHOICE OF COMPANY:

The researcher chose to focus on PepsiCo, Inc. as a case study among numerous international organizations because of its globally visible brand, and the fact that the company has been named among Ethisphere's World's Most Ethical Companies for the 10th consecutive year 2016. Named among Corporate Responsibility Magazine's World's 100 Best Corporate Citizens in 2016. Also, awarded by New York Stock Exchange (NYSE) Governance Services as the Best In-House Legal team for Corporate Governance at a Large Cap Company 2015. The company has also been awarded Best Overall Governance, Compliance and Ethics Program by Corporate Secretary Magazine in 2013(PepsiCo Inc. 2007). All these recognitions proves that PepsiCo Inc. has demonstrated great concern for the environment within which it operate. Hence, PepsiCo Inc. has become the focus of this study.

1.3 SIGNIFICANCE OF STUDY:

According to Chidi (2013), the essence of research is to find more knowledge and add to existing body of knowledge. Therefore, this research is significant since it will add knowledge for the assessment of PepsiCo's effectiveness likewise efficiency. Moreover, it will serve as a credible source of knowledge base for future researchers who will embark on further research regarding the subject under consideration especially in the beverages – soft drink industry.

2. METHODOLOGY

According to Kothari (2004), research methodology is the systematic, theoretical analysis of the procedures applied to a field of study. It also provides information on the type and sources of data that was collected for the study. For the purpose of this study, the methodology was discussed under the following sections;

2.1 Types of Data:

The main source of data used is secondary data. According to Corti and Bishop (2005), secondary data is data collected by someone other than the user. Secondary data was largely considered since it was immediately available whiles saving lot of time (Ghauri and Gronhaug 2005). For the purpose of this study, secondary sources of data focused on information from books, the Internet and scholarly articles from journals.

2.2 Analytical Tools:

Humphrey's SWOT analysis and Potter's five forces were used to analyze the internal and external environment respectively, within which PepsiCo Inc. operate.

3. HISTORY OF PEPSICO INC.

Pepsi-Cola was created in the late 1890s by Caleb Bradham, a New Bern, North Carolina pharmacist. It was later established through merger of Pepsi-Cola and Frito-Lay. PepsiCo Inc. is currently one of the leading food and beverage companies in the world. It manufactures and sells eighteen brands of beverages and snack foods and generates over $98 billion in retail sales (PepsiCo Inc. 2007). The company encompasses the Pepsi Cola, Frito-Lay, Tropicana, Quaker, and

Gatorade brands and offers products in over 200 countries. It is headquartered in New York and Indra K. Nooyi is currently the CEO. The company currently employs over 200,000 people (Berch et al, 2010).

3.1 PRODUCTS OF PEPSICO INC.:

Pepsi-Cola brands includes the following: Pepsi, Caffeine Free Pepsi, Diet Pepsi. **Frito Lay** brands includes: Lay's potato chips, Lays Kettle Cooked potato chips. **Gatorade** brands likewise includes the following: Gatorade Thirst Quencher, Gatorade Frost Thirst Quencher. **Tropicana** Brands includes: Tropicana Twister juice drinks, Naked Juice. **Quaker** brands also include the following: Quaker Oatmeal, Quaker Instant Oatmeal, and Quaker Oatmeal Breakfast Squares (PepsiCo Inc., 2007).

The above brands of PepsiCo Inc. gives the company a comprehensive product portfolio with more than 100 brands serving nearly every niche in the beverage, food and snack industries. This gives the company a source of sustained competitive edge in terms of cost sharing and globally visible brand.

3.2 CORPORATE STRTATEGY AND ITS VALUES:

According to Kaplan and Norton (2004), strategy describes how an organization intends to create value for its shareholders, customers and citizens. Grant (2010), is of the view that, strategy in its broad sense is the means by which individuals or organizations achieve their objectives. Corporate strategy is concerned with the overall scope of an organization and how value will be added to the different parts of the organization. This include issues of geographical coverage, diversity of products, services and how resources are to be allocated between the different parts of the organization (Johnson et.al, 2008). Hence, strategy could be said to be a tool that corporate bodies use to accelerate the achievement of their organizational goals and objectives.

3.2.1 Corporate Strategy of PepsiCo Inc.:

PepsiCo Inc. applies cost leadership strategy as its generic and primary competitive strategy proposed by Porter. Cost leadership strategy requires that a firm must find and exploit all resources of cost advantages and sell at lower prices than competition (ABE, 2011). This generic strategy focuses on cost minimization as a way to improve PepsiCo’s financial performance and overall competitiveness which is a true reflection of its mission statement.

Moreover, according to Dudovskiy (2016), the company seek to achieve growth based on the following six principles:

- achieving growth through mergers and acquisitions;
- forming strategic alliances in the global scale;
- focusing on emerging markets;
- focusing on organizational culture;
- developing and promoting the idea of One PepsiCo;
- Innovation in marketing initiatives.

These strategies identified above has been the focal point of PepsiCo’s competitive edge and strategic supremacy within its competitive environment.

3.3 MISSION:

A mission statement is designed to describe an organization’s overall purpose including defining the organization’s key measures of success (VanBaren, 2012).

3.3.1 PepsiCo’s Mission Statement:

According to Adcock et al (as cited in ABE, 2011) mission is how that organization intends to fulfill its main business objectives while recognizing the legitimate interest of other stakeholders such as customers, employees, suppliers and the communities in which the organization operates (ABE, 2011)

The mission of PepsiCo Inc. is "to provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats" (PepsiCo Inc., 2007)

3.4 VISION:

A corporate vision represents the basic values of an organization. The vision specifies what the organization stands for, where it plans to go and how it plans to get there (Bearden et al, 2001).

3.4.1 Vision of PepsiCo Inc.:

According to Morrisey (1996), vision is a representation of what you believe the future of your organization should look like to your customers, employees, owners and other important stakeholders. The vision of PepsiCo is "to deliver top-tier financial performance over the long term by integrating sustainability into business strategy, leaving a positive imprint on society and the environment" (PepsiCo Inc., 2007).

3.5 GOALS:

Goals are statements of results a firm seeks to achieve over a specified period, typically three to five years (Pearcell &Robinson, 2003).

3.5.1 PepsiCo Inc.'s Corporate Goal:

Corporate goal means a general aim of an organization which is in line with the corporate mission statement which may well be qualitative in nature (Johnson et.al, 2008). "Performance with Purpose" as goal have guided PepsiCo's strategy and operations in every step along their journey in delivering exceptional long-term financial performance and uphold shareholder value.

3.6 ORGANISATIONAL CULTURE OF PEPSICO INC.:

According to Needle (2004), organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, and strategy, type of employees, management style and so on. PepsiCo has a very unique and admirable culture which is aimed at creating a conducive working environment for their employees through employee engagement, health and safety, encouraging diversity, promoting ethics and legal compliance, treating employees with human dignity (PepsiCo Inc., 2007).

3.8 CORPORATE GOVERNANCE OF PEPSICO INC.:

According to Cadbury (2000), corporate governance is concerned with holding the balance between economic, social and communal goals. The corporate governance framework is there to enhance the efficient use of economic resources and to equally demand accountability for the stewardship of those resources (White, 2014).

Colley et al (2004) defines corporate governance as; the set of processes, customs, policies, laws, and institutions affecting the way a company is directed, administered or controlled. Renu and Meena (2013) identified the following as the chief characteristics of Good Corporate Governance: it includes:

- participatory;
- consensus oriented;
- accountability;
- transparency;
- responsiveness;
- effectiveness and efficiency;
- equitable and inclusiveness ;
- respect for the rule of law.

Therefore, a good corporate governance can keep an organization from pitfalls by aiming and ensuring higher degree of transparency in an organization also by encouraging full exposure of transactions in company's account. PepsiCo has adopted comprehensive corporate standards and policy approach to business decision-making and delegating authorities within various levels with specialized units handling business operations to ensure effectiveness, efficiency and accountability.

PepsiCo's Corporate Governance structure consists of four (4) Committee Charters which include the following:

- The Audit Committee comprised of independent directors with the financial literacy to provide oversight of PepsiCo accounting policies and financial reporting. This Committee has contributed to PepsiCo's internal financial control systems by evaluation financial activities by putting fraud analyzing mechanisms in place by regarding internal control activities.

- The Compensation Committee also composed entirely of independent directors responsible for reviewing executive compensation policies to ensure total compensation paid to executives is not too high but competitive enough to keep the business running.

- Nominating and Corporate Governance Committee which is also responsible for nominating new members to the board and providing policy recommendations regarding corporate governance (PepsiCo Inc., 2007).

- Finally, Public Policy and Sustainability Committee Charter also composed entirely of independent directors responsible for overseeing policies, programs and related risks concerning key public policy and sustainability matters (PepsiCo Inc., 2007). PepsiCo's comprehensive corporate governance structure is another factor responsible for the company's long term sustainability, which made it won the award for Governance professional of the year (Large Cap Category, 2016).

4. PEPSICO'S BUSINESS ENIVORNMENT

PepsiCo operates in a very dynamic environment to sustain its competitive position. SWOT analysis and Potter's five forces have been used to conduct the micro and macro environmental analysis specific to PepsiCo.

4.1 Potter's Five Forces Analysis of PepsiCo.:

Porter in the 1980's proposed a framework which acknowledged five forces that exist in a particular competitive market. The model gives businesses fair idea about the nature and competition that influences potential of the business to function and succeed in that particular market. These forces includes;

- The threat of new entrants into the industry
- The threat of substitute products
- The bargaining power of buyers
- The bargaining power of suppliers
- The extent of competitive rivalry in the industry

Corresponding five forces of PepsiCo are summarized below;

Threat of new entrants into the industry is moderately low. Despite high initial capital requirement for other companies to establish in the beverage industry, high cost of brand development and existing loyal customers makes it difficult for new entrants to enter the market to compete directly against PepsiCo Inc. The threat of substitute products is high since the cost of switching to substitute product is low and to some extent, substitute products of PepsiCo are perceived to be of higher performance by its customers. Therefore, PepsiCo uses product quality and availability, and diversification into other market areas to reduce threat of substitute.

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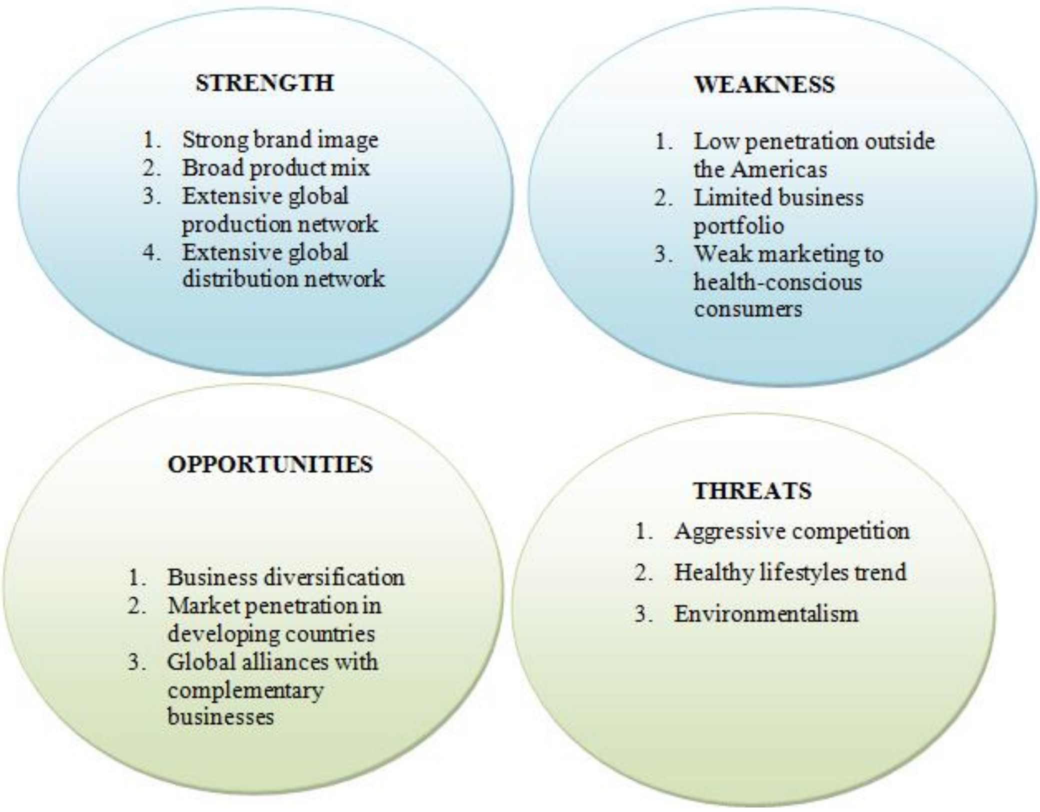
The bargaining power of buyers is moderately high because virtually no switching cost of customers to switch to PepsiCo's competitors such as Coca-Cola. Moreover, due to technological advancement, customers are well-educated regarding their products and to some extent PepsiCo's customers are price sensitive and for this purpose, it has adopted cost-leadership strategy to maintain existing customers through comparatively low price products with maximum satisfaction whiles maintaining its competitive position in the market.

The bargaining power of suppliers is moderately low since PepsiCo has more suppliers of its material and the cost of switching from one supplier's product to another supplier's product is relatively low. Also, suppliers cannot easily integrate forward to acquire PepsiCo because its wide geographical coverage and size.

The extent of competitive rivalry in this industry is very high especially with Coca-Cola Company being the biggest competitor of PepsiCo. Because products are not highly differentiated in this industry there is of course high competition. Therefore, most firms within this industry are much aggressive with new product innovation, intense advertisement and other marketing strategies to achieve market share. To handle intense competition, PepsiCo has entered into selective acquisitions, new product development, broad-differentiation and cost-leadership strategy, celebrity endorsement, intensive advertisement and other marketing initiatives to achieve and sustain its market shares and competitive edge.

4.2 PEPSICO'S SWOT ANALYSIS:

"SWOT" is an abbreviation that represents an organization's internal Strength and Weakness and its external Opportunities and Threats. As shown in Figure 4.3 below is a summary of PepsiCo SWOT analysis:



(Source: http://panmore.com/pepsico-swot-analysis-recommendations)

Figure 4.3: PepsiCo's SWOT Analysis.

From the diagram above, it is very essential for PepsiCo to utilize its internal strengths to neutralize its weaknesses, by using its strong brand and wide global distribution network to penetrate outside America to explore other international market opportunities with new products taking into consideration socio-cultural and health factors. Moreover, with PepsiCo's globally visible brand, it is crucial to form strategic alliance with complementary businesses to produce quality products and services to convert threats from its competitors into opportunities.

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4.4 ETHICAL PRACTICES OF PEPSICO INC.:

Ethical issues are becoming more significant in contemporary business operations. It goes beyond the routine of compliance with laws regulating businesses. Every successful business cannot ignore ethics in its core activities. Ethics is moral standards of behavior expected by society (Boone & Kurtz, 2006). Moreover, Achua and Lussier (2010) define ethics as the standards of right and wrong that influence behavior.

In correspondence, PepsiCo Inc. believe that acting ethically is not only the right thing to do, but the right thing to do for their business. It aims to be an ethical leader, as a result, it encourage its employees to integrate the culture of integrity into its business processes. The following are the measures PepsiCo have embraced to handle its ethical practices in pursuit of its corporate goals:

4.4.1 Water Protection and Conservation Policy:

The company believes that water is very crucial to their success and a limited economic resource. Hence, the company has adopted innovative and technological approach to protect and conserve global water supplies. For instance, Funza food facility in Colombia exemplifies how PepsiCo Inc. is implementing innovative solutions to conserve water in global plants and to return safe water to communities in which it operate (PepsiCo Inc., 2007).

4.4.2 Energy Use and Emissions Policy:

PepsiCo believes in working to improve energy use efficiency in order to reduce the greenhouse gas (GHG) emissions in their activities, conserve fuel and reduce their cost. As a result, PepsiCo has more than 280 electric delivery trucks, and more than 200 compressed natural gas (CNG) trucks on the road as a way to diminish carbon intensity (PepsiCo Inc., 2007).

4.4.3. Sustainable Agriculture Support Policy:

The sustainable farming is a major focus to help secure their supply chain into the future. Hence, the Sustainable Farming Initiative (SFI) was piloted in 2011 and 2012 across 14 countries .SFI was launched to encourage both PepsiCo and its farmers to operate in ways that reduce environmental and social impacts while maintaining economic viability at the farm level (PepsiCo Inc., 2007).

4.4.4 Environmentally-Friendly Packaging:

Over the years, PepsiCo have conducted extensive research and discovered advanced ways to package and deliver their products to minimize harmful impact on the environment at a lower costs. History proves that PepsiCo was the first and only major consumer packaged goods company to incorporate post-consumer recycled content into its polyethylene terephthalate (PET) plastic, which commenced in 2004, (PepsiCo Inc., 2007). This initiative has eliminated packaging material from the market and lowered their packaging costs.

4.5 CORPORATE SOCIAL RESPONSIBILITY (CSR):

CSR proposes that corporations have responsibilities to society which extends beyond profit and minimum legal obligations. Meaning that, every organization is expected to act in a certain way beneficial to the community and not for only business profit maximization as the economic theory proposes. According to Johnson et al (2011), CSR is the commitment by organizations to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large. CSR is an extension of organization’s ethical conducts towards their environment.

CSR of PepsiCo could be viewed from three different perspectives which are Community Based CSR, Environment Based CSR and Workplace Based CSR. The Community Based CSR has a charity committee with a cross functional team which meets monthly to consider sponsorship requests for product or funds to be allocated from a monthly budget to their community (PepsiCo Inc., 2007). Followed by their Helping Hand Programme which provide focused assistance to a select number of Non-Governmental Organizations building longer term sustainable relationships and providing consistent financial assistance as well as staff involvement in fundraising activities including flag days and sponsored walks (PepsiCo Inc., 2007).

Secondly, Environment Based CSR which is committed to protecting the natural resources used with the ultimate goal of having a net-neutral impact on the planet. This is focused on environmental sustainability efforts on water, energy, packaging and solid waste – areas (PepsiCo Inc., 2007).

Finally, PepsiCo believes that their employees are the most valuable assets, in achieving the overall objectives of the company. Hence, much emphasis is placed on the welfare employees (PepsiCo Inc., 2007). As a result, PepsiCo Ireland has been named as the 3rd Best Great Place to Work in Ireland in the large company category for 2015 which has boosted their employer brand.

5. RESEARCH FINDINGS

The following are some key findings of the study:

[1] Since diversity is considered as contemporary issue, PepsiCo believes in diversity of its workforce. Hence, PepsiCo embraces employees from different race, age, gender, cultural background and maintains a transparent and unbiased recruitment and selection policy.

[2] The researcher also found out that PepsiCo's energy use efficiency policy which is aimed at diminishing greenhouse gas(GHG) which led to the introduction of electric vehicles is only limited to North America and does not extend to other parts of the world.

[3] "Performance with Purpose" policy of PepsiCo serves as the overriding goal of the company and guide the company in achieving its stakeholders' interest whiles caring for their community.

[4] It was equally observed that the company over depend on its domestic market especially in North American countries in marketing and selling of its products. This could affect their market share which will automatically have an adverse impact on their profit in the future if they should encounter a direct competitor in other countries.

[5] Again findings indicated that, Aquafina tap water scandal and product recall case in 2015 made consumers to perceive the PepsiCo's products as unsafe which brings their ethical issues to challenge.

[6] However, PepsiCo's corporate governance practices disclose higher level of compliance, accountability and transparency to its owners which is a sustaining factor responsible for long-term survival of the business as indicated in Appendix A below.

[7] Finally, research findings shows that there is gender imbalance in the composition of the entire Board of Directors where the number of male executives significantly exceeds female. This might create some negative impression in the minds of the general public that the company is gender bias which might in the future decrease female patronage of products.

6. RECOMMENDATION

- With the company's globally visible brand, it should consider business diversification into other profitable industries.
- The company also has a very cost-effective distribution channel and must improve and maintain it in reaching out to more customers whiles extending energy use efficiency policy to other parts of the globe especially in Africa.
- Based on the investigation above, PepsiCo must improve upon its CSR, corporate strategy, corporate governance policies and most especially ethical issues by providing a more safety and healthier products for its long-term sustainability.
- PepsiCo must consider adopting a gender balance in the composition of the entire Board of Directors. This will enable the company to mitigate the likelihood of negative impression in the minds of the general public
- Finally, PepsiCo must consider socio-cultural factors in the context of its operations especially in its advertisement. As compared to what Coca-Cola did in Ghana by labelling Ghanaian local names on their products.

7. CONCLUSION

It is obvious to conclude based on relevant evidence from this study that, although corporate strategy, CSR and ethical issues have now become great concern for many mangers these days. Similarly, corporate governance has equally leaped up as a result of irregularities in management of corporate entities. However, PepsiCo Inc. has adopted a very comprehensive approach in handling these issues. This is a major factor responsible for its long term survival and profitability which must be improved. Therefore, corporate entities must consider different strategies in handling ethical, CSR and corporate governance core pillars such as transparency, accountability, fairness in order to produce results that will satisfy stakeholders' interest positively whiles remaining highly competitive.

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APPENDIX – A

RATIO ANALYSIS:

(All figures in millions Dollars, except average price per share)

Profitability	**2014**	**2015**
1. Net Profit margin — **NetProfit / Revenue**	5501 *100 / 63056 =8.72%	6558 *100 / 66683 =9.83%
1. Asset turnover — **Revenue / Total assets**	63056 / 69667 =0.91times	66683 / 70509 =0.95times
2. Return on Equity — **Profit after tax / Total assets**	5501*100 / 69667 =7.9%	6558 *100 / 70509 =9.3%
Short-Term Financial Stability	2014	2015
3. Current Ratio — **Current Assets / Current Liabilities**	23031 / 17578 =1.31:1	20663 / 18092 =1.14:1
4. Acid test Ratio — **Current Assets –Inventory / Current Liabilities**	23031–2720 / 17578 =1.16:1	20663 –18092 / 18092 =0.97:1
Working Capital Management	2014	2015
5. Stock turnover rate — **Cost of goods sold / Average Inventory**	28384 / 2720 =10.4times	30884 / 3143 =9.8times
6. Receivables Collection Period — **Receivables*365days / Revenue**	6437 *365 / 63056 =37days	6651*365 / 66683 =34days
7. Payables payment Period — **Payables *365days / Cost of Sales**	13507 *365 / 28384 =174 days	13016*365 / 30884 =154 days
Long-term Financial Stability	2014	2015
8. Gearing/Leverage Ratio — **Debt / Debt + Equity**	29213 / 41243 =0.71	23821 / 41369 =0.58

Note: all figures computed above were obtained from annual reports of PepsiCo Inc. (see appendix B below).

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Interpretation of the various analysis computed above:

1. Net profit margin shows how much of each dollar collected by a company as revenue translates into profit. This has increased by 111 basis points from 2014 to 2015 and indicates that Pepsi Co. is more efficient at converting sales into actual profit.

2. Asset turnover is a financial ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Asset turnover has increased by 0.04times indicating that Pepsi Co is using its assets efficiently to generate revenue.

3. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money Shareholders have invested. This has increased by 17.7% from 2014 to 2015 indicating an increment in Pepsi Co.'s Shareholders' Fund.

4. The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations. Pepsi Co.'s Current Ratio has decreased significantly from 1.31:1 in 2014 to 1.14:1 in 2015 which can lead to poor liquidity. This is as a result of decrease in Current Assets and increase in Current Liabilities of Pepsi Co.

5. The acid test ratio or quick ratio is also a liquidity ratio that measures the ability of a company to pay its current liabilities when they fall due with only quick assets (cash, cash equivalents, short-term investments or marketable securities, and current accounts receivable). As computed above, this has reduced by 0.19:1 which is a sign of poor liquidity. This is due to decrease quick assets without a corresponding decrease in current liabilities but rather increased in current liabilities of Pepsi Co.

6. Inventory Turnover Ratio is one of the efficiency ratios and measures the number of times, on average, the inventory is sold and replaced during the fiscal year. The rate as calculated has reduced from 10.4times in 2014 to 9.8times in 2015 which indicates poor liquidity, possible overstocking, and obsolescence.

7. Receivables Collection Period is the number of days, on average that it takes a company to collect its credit accounts or its accounts receivables. In other words, this financial ratio is the average number of days required to convert receivables into cash. Pepsi Co.'s receivables collection period has reduced by 3 days from 2014 to 2015 which indicates efficient conversion of trade receivables.

8. The accounts payable period measures the number of days that a company takes to pay its suppliers. Pepsi Co.'s payables payment days has decreased significantly from 174days in 2014 to 154days in 2015 which may mean that the suppliers are demanding fast payment terms, either because short terms are part of their business models or because they feel Pepsi Co. is too high a credit risk to allow longer payment terms.

9. The gearing ratio measures the proportion of a company's borrowed funds to its equity. The ratio indicates the financial risk to which a business is subjected, since excessive debt can lead to financial difficulties. Pepsi Co.'s proportion of Debt to its Equity has reduced by 18.3% which implies that Pepsi Co has redeemed part of its debt in the capital structure.