

# Knowledge®

## “Leadership in Business”

Speech by Mr. Helmut Maucher, Honorary Chairman, Nestlé S.A.

Adnan Kassar Edifice for Arab Economy

22 February 2012

### -the spoken word is binding-

Dear Adnan, dear distinguished guests, ladies and gentlemen,

To start, I wish to express my appreciation and enormous pleasure at being invited to address this international gathering.

When talking to business people these days or observing business in general, you will hear a lot about processing and application of information technology. And the topic of this conference is “knowledge” which is of course also important to the success in business. Many people even characterize the present day society already as a “knowledge society” and we also know that our knowledge is doubling about every three years.

In view of all of this, we sometimes neglect or even seem to forget the importance of good leadership for success in business. That is probably why my friend Adnan Kassar has asked me to speak about “leadership in business” today.

Good leadership, ladies and gentlemen, starts with the selection of the top management capable of exercising leadership. Apart from formal training and professional experience, I feel that the following qualities are important and their importance increases with every management level:

1. Courage, solid nerves and composure;
2. The ability to learn, sensitivity to new things, imagination with regard to future developments
3. Internal and external communication and motivation skills
4. Ability to create an innovative climate
5. Contextual thinking
6. Credibility
7. Willingness to change continuously and the ability to manage change
8. International experience or at least understanding of other countries and cultures
9. Ability to make quick, albeit responsible decisions
10. Everything comprised in the terms “character” and personality” (including a certain charisma);
11. Modesty, but with style
12. A certain amount of sensitivity (if you are not sensitive, you cannot lead others, nor can you lead if you are overly sensitive).



Note that top management qualifications is not about any single one of these qualities but about their entirety - all of them are necessary for lasting success.

Most of the aspects listed should be self-evident. Additionally, I would like to stress that one of the absolute key qualities today is credibility, which goes hand in hand with building trust. If what was preached on Sunday is no longer valid on Monday, people's trust and motivation will fade.

Courage, nerves and composure are especially important when it comes to sticking to long-term strategy, even if there are major roadblocks or lots of criticism in the short term. Managers also need these qualities in view of the broad media coverage we have today, the permanent risk of being criticized harshly, and the ever-present danger of real crises.

Continuous change readiness and the ability to manage change are gaining significance as technological and other changes abound while we have rigid and bureaucratic systems, employees unwilling (or unable) to adapt to new practices. At the same time, being faster than the competition is often the key factor to a company's success.

In addition to this, I would like to point out a few aspects in exercising leadership which in my opinion are crucial.

1. Frequently, it is the people at the lowest management level who are least suited or trained for a leadership role. At the same time these are the persons that deal with the majority of employees on a daily basis and who shape the working climate and image of the company. Which is why it is so important for corporate management to strengthen these people's leadership skills.
2. Apart from training, I feel that the concept of employee involvement offers an excellent opportunity for this: It requires that employees be informed honestly, clearly and in a timely manner about current developments and changes in the organization, involving them in the debate about necessary changes, and listening to them. (Often, the employees right there at the workplace know best what changes would make sense and what the consequences would be). Listening is an important but neglected leadership skill. Furthermore, employee involvement increases motivation, enhances workers' identification with their task, and facilitates the implementation of necessary changes. It benefits a company's working climate and image if people experience its operations to be a joint effort by all hierarchic levels.
3. Another useful concept is added-value leadership. According to this concept, leadership is about continuously asking yourself: In my management activities today, have I contributed to the success of the company and to its value creation?
4. In addition, I find it absolutely indispensable to ensure an optimal composition of the management team. The members' competences and strengths should be complementary to offset individual deficits. Mind you, this is not supposed to mean that a weak boss should rely on a competent assistant to master his challenges - in that case it would probably be better to replace the boss himself.
5. General corporate policies are another important element of a company's basic design. At Nestlé I established the following set of policies which were binding for all employees and executives alike:
  - a) We focus on people and products rather than on systems;
  - b) We concentrate on long-term business development rather than short-term profitability
  - c) We advocate decentralisation rather than centralisation.



As far as the first point is concerned, it goes without saying that you need systems to manage large and complex organizations. The question is one of priorities: Systems must never become an objective in themselves. And although there is much talk about people (executive / employee / customer orientation) these days, it is hardly ever followed through. Many leaders' basic attitude reflects more interest in systems and processes than it does any real interest in their people.

Similarly, while companies like to emphasize their long-term focus in official statements, they hardly live up to it - mainly due to leaders' opportunistic attitude and the pressures they face from the capital market or competition. Never before have I seen so many managers with a short-term focus.

6. Just one word on corporate culture. According to an imprecise but appropriate definition corporate culture is the sum of all implicit routines practised in a company. When setting up such a document on corporate culture, this is what you should keep in mind:

Avoid being too general and/or using too many commonplaces, along the lines of Goethe's: "Let's man be noble, helpful and kind." By doing so, you will risk not to clearly differentiate yourself from other companies.

It is therefore very important to express very clearly what is special and unique about your company - and to express it in such a way that it is (or will be) valid for all world regions and that will not violate the traditions, customs and mentality of any employee.

Let me quote two examples out of the Nestlé document, which are Nestlé specific but are at the same time applicable globally. One is: "We are pragmatic rather than dogmatic". And the other is: "We are modest, but with style".

7. For helping you to implement all these policies, you essentially need a human resources department which is able to assist you efficiently. As an overall rule for the task of the human resources department, I usually advise them as follows: Pay more attention to people and have less bureaucracy with people (Many HR departments do exactly the opposite).
8. As to training. In order to develop and improve your employees' skills, it is of course indispensable to spend a good amount of time and effort in training and continuing education. However, you should keep in mind that the selection of people is more important than training. If you select or promote the wrong people, you can invest as much as you want in training, it will not help; and in determining the right people to hire or develop, you should, apart from the usual HR check-lists, always keep one thing in mind: "Look more in the eyes than in the files of people".
9. An important part of good leadership is, of course to define the right strategy. Above all, strategy should outline what the company wants and where it is heading in terms of new products, segments, markets and how it plans to grow market share. In addition, it is about the balance between long-term and short-term measures and investments which is one of the toughest and most important decisions. In other words, strategy or strategic measures are developed to win the war and not just one battle. Strategy alignment also includes research and innovation policies, location and organisation structures, management development approaches and human resources policies.



When thinking about corporate policies and in particular strategy, usually two opposing aspects must be balanced in seven areas:

1. Long-term versus short-term aspects,
2. Centralization versus decentralization,
3. Marketing versus controlling (spending or saving),
4. Diversification versus focus,
5. Establishing necessary rules and regulations versus allowing individual leeway.
6. Focus on performance and competition (especially in personnel and salary policies) versus social safety,
7. National and cultural corporate identity versus international business requirements and global activities.

A sound balance between these aspects is one of the key factors for a company's success. It is important to always keep this in mind when making decisions, in particular strategic one.

10. You cannot exercise good leadership without a clear set of basis values. Mind you, we never had so many talks and statements on value orientation in management before and yet, never before had we so many violations of these ethical principles as we see nowadays. Just look at the many examples in the financial sector over the last years contributing to the financial crisis.

Value-based corporate management starts with selecting executives and defining the qualities we demand from top people. Nobody can lead based on values he or she does not personally stand by.

When we talk about value-based management, the key question is what value we mean exactly and how we can find a balance between the different, often contradicting values such as:

- Long-term versus short-term profit orientation. (As I have pointed out before, I favour a long-term policy over short-term maximization.)
- Compensation based on performance and position versus little differentiation between salary levels and more equality.
- Stronger support for top performers versus focus on developing poor performers.
- Taking care of active employees only versus inclusion of retirees.
- Taking into account tenure and loyalty versus current performance only (goal: a balanced appreciation of both the drive of youth and the experience of age).
- Cooperative leadership style based on collegiality and coaching versus a stronger emphasis on authority.

### **Closing Remarks**

At the end of my speech, I would like to emphasize once again that personality and character are more important for good leadership than professional skills. And to put in a nutshell: I very often advise my friends in management to keep at least the following three things in mind:

**Be close to your products, be close to your people and be close to your customers.**

If you stick to these three recommendations, you will already avoid a lot of common mistakes all too often made.

Thank you

HM/we 12.12.2011