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## Is your executive team like an Italian family dinner? Conflict is good: Reckitt Benckiser as a case study of sustained growth

It is a peer-group-beating performance. Between leading the merger of Benckiser and Rickett & Colman in 1999 and retiring twelve years later, CEO Bart Becht grew turnover from £3bn to £10bn. Profit rose from £350m to £2bn, with operating margins now close to 25%. As a result market capitalisation has risen ten-fold from £3bn to £30bn. While this has been mainly organic growth, there have been occasional acquisitions. The company was not seriously diverted from its growth course by the bank-led recession.

This success is based on its strategy, which focuses on high-growth, high-value sectors. However, a good strategy is never enough and we looked at what had been published to identify the key organisational features that have been driving their growth, and ensuring their strategy is successfully delivered.

The sources include an interview with CEO Bart Becht, articles from Accenture, McKinsey, London Business School professor Donald Sull in many of his FT blogs and other material from the business media.

CEO Bart Becht and the many observers paint a very clear and consistent story about the key organisational drivers. Becht was succeeded in 2011 by Rakesh Kapoor, a company veteran of over 20 years, and who appears to be continuing with this successful formula.

### Four organisation drivers of sustained growth

#### 1. *Clarity, simplicity and clear line of sight*

A good business model is a simple one which everyone can understand and follow. Reckitt Benckiser focus on 17 powerbrands (which include Cillit Bang, Finish, Nurofen and Dettol), all on a global basis.

Their most important measure is to make sure that 35-40% of revenue every year comes from new launches from the past three years. As Becht said, their biggest challenge was having enough big ideas. He said that innovation is not about "messaging about in labs", but about listening to customers, suppliers, or sales teams anywhere in the world and coming up with ideas. Compared to their peers, they spend less on 'R&D' (1.5% of turnover) and more on advertising (12.5% of turnover).

Everyone in the company knows this business model, and all decisions are driven by it. So is their compensation which is very performance-based - managers can earn up to 140% of salary as bonus for completely beating targets.

## **2. Conflict is good**

This is a key mantra. Becht said that a good executive team meeting is like an Italian family dinner - full of passionate debate, but with total long term loyalty to each other. He liked a fight for ideas because it produces the best results and no complacency. Becht made sure that almost every key decision was made at the meeting it is discussed at.

Becht did not believe in consensus. He was known to make a decision between hotly-debated options, and then give the 'losers' a pilot investment, in case it turned out to be correct. He said "don't crush the passionately held and well-argued view of minorities". This approach produced some of their best innovations.

## **3. Attract and build the most appropriate talent**

Reckitt Benckiser don't just seek to attract 'the best', but to identify the characteristics of the people they need. Then, when they know what type of people they want, they seek to attract those that fit best and develop them with low wastage. Reckitt Benckiser seeks globally-minded managers who are happy to live all around the world and are not loyal to their country of origin. The top 400 leaders include 45 nationalities and share the same global compensation model.

As Becht described it a few years ago: "Today an Italian is running the UK business, and an American is running the German business, a Dutchman is running the U.S. business, an Indian the Chinese business, a Belgian the Brazilian business, and a Frenchman the Russian business". They recruit graduates who are studying 'overseas' as they already have the mindset to be global. They rotate people fast to learn lessons fast.

## **4. Convey clear and explicit values**

Leaders and employees can only remember and live by three to five values. In the case of Reckitt Benckiser these are: Achievement, Entrepreneurship, Team Spirit and Ownership. Each is clearly defined and supported with a brief list of expected behaviours.

'Ownership' is defined as "we take the initiative to do what is needed".

'Achievement' requires these concrete behaviours:

- Supports and inspires others to deliver stretching objectives
- Recognises, respects, and then rewards the achievement of the team

# Brief

- Displays a high sense of urgency and speed of action but always makes sure the job gets done with the full commitment of the team
- Sets ambitious goals, yet ensures the goals are achievable.

Reckitt Benckiser have created an online simulation, called the *Core Values Challenge*, where potential employees can pre-screen themselves based on their fit with the company's values. Interested candidates walk through real-world situations, select among possible actions, and receive feedback on how well their choices match the company's core values.

Overall this is a simple and clear organisational view built on a small number of powerful and aligned concepts, which are consistently implemented by leaders across the business.

Like most successful organisations, they have hit some bumps in the road. In the UK, the Office of Fair Trading fined them for abusing a market-leading position with their Gaviscon product. Overall sales in Europe have been stubbornly flat in recent years. However they still remain on their impressive overall growth track.

## Sources

Sources used for this article include: Becht: *How I did it: Building a company without borders* (Harvard Business Review); Haas, McGurk, Mihas: *A new world for brand managers* (McKinsey); Sull: *Agility in action: Reckitt Benckiser*, *Incentives for agility: The Reckitt Benckiser case*, *Translating values into action: Agility at Reckitt Benckiser*, *Getting the values right: The Reckitt Benckiser case* (FT: Donald Sull blogs); *Picking winners at Reckitt Benckiser* (Accenture); *Reckitt Benckiser keeps its shine - why being different is the best way to win* (Management Today); also news articles in the FT, Marketing, the Guardian, and The Times.