

Brief

For those too busy:

The latest research, thinking
& news on growth pace and delivery
from around the world

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. In twelve years between the merger and his retirement Reckitt Benckiser CEO Bart Becht grew turnover from £3bn to £10bn. Profit rose from £350m to £2bn, with operating margins now close to 25% and market capitalisation rising 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 - focus on high-growth, high-value sectors. According to Becht, and many outside observers, there are also key organisational drivers that ensured their strategy is successfully delivered. 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:

- **Clarity, simplicity and clear line of sight.** A good business model and a simple one: which focuses on 17 global powerbrands, and makes sure that 35-40% of revenue every year comes from new launches from the past three years. Compared to peers, they spend less on 'R&D' (Becht said it must not be "messaging about in labs") and more on advertising. Everyone knows the model, all decisions are driven by it and so is compensation which is very performance-based.
- **Conflict is good.** This is a fundamental 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. He also 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 turns out to be correct. Becht said "don't crush the passionately held and well-argued view of minorities".
- **Attract and build the most appropriate talent.** Reckitt Benckiser don't just seek to attract 'the best', they know what type of people they want, attract those that fit best, and develop them with low wastage. They seek globally-minded managers who are happy to live all around the world and are not loyal to their country of origin. They recruit graduates who are studying 'overseas'. They rotate people fast to learn fast.
- **Clear and explicit values:** Achievement, Entrepreneurship, Team spirit and Ownership. Each is clearly defined and supported with a brief list of expected behaviours. So 'ownership' is defined as "we take the initiative to do what is needed". Achievement behaviours include: "supporting and inspiring others to deliver stretching objectives" and "displays a sense of urgency and speed of action, but always makes sure the job gets done with the full commitment of the team". They 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 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 concepts.

Like most successful organisations, they hit some bumps in the road. In the UK, the regulator 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.