

Building a company without borders

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HBR. ORG Bart Becht is the CEO of Reckitt Benckiser, headquartered in Slough, England. Building a Company Without Borders

An Italian Is Running The Uk Business A Dutchman Is Running The U. S. Business An American Is Running The German Business By Bart Becht A Frenchman Is Running The Russian Business An Indian Is Running The Chinese Business A Belgian Is Running The Brazilian Business T The Idea

You may never have heard of Reckitt Benckiser, but in the past few years the company has outperformed its rivals P&G, Unilever, and Colgate in growth—even during the downturn. Here’s how. They say you can’t go home again. If you work for Reckitt Benckiser, you can go home—but you may not want to, and you certainly won’t have to. Many companies, when they describe themselves as global, mean they have operations around the world, they work virtually and in all time zones, and their key people are developed through stints in other markets. Our version is more comprehensive. Most of our top managers haven’t held jobs in their countries of origin for years and view themselves as global citizens rather than as citizens of any given nation. We have operations in more than 60 countries.

Our top 400 managers represent 53 different nationalities. We’ve spent the past 10 years building this culture of global mobility because we think it’s one of the best ways to generate new ideas and create global entrepreneurs. And it has paid off. Products launched in the past three years—all the result of global cross-fertilization—account for 35% to 40% of our net revenue. For example, Finish, an all-in-one

dishwasher tablet you drop into your machine, is now the leader in its market category.

Recently we successfully introduced QuantuMatic—an automatic dispenser of dishwasher detergent that doesn't need to be refilled for up to a month. With constant innovation like this we've enjoyed steady, profitable growth, even during the downturn. Since 2005 we've outpaced all our big competitors. During the recession we've invested more than ever in marketing, and we grew at a rate of 8% (at constant exchange rates) in 2009. A Company Without a Country The RB “ Powerbrands” Though the company's corporate brand recognition is very low, its products are well-known. RB focuses on 17 powerbrands:

Air Wick Calgon (water softener) Cillit Bang Clearasil Dettol Finish French's PREVIOUSLY ELECTRASOL Gaviscon AMERICA IN NORTH Harpic Lysol Mortein Mucinex Nurofen Strepsils Vanish Veet Woolite 104 Harvard Business Review April 2010 Reckitt Benckiser resulted from a merger in 1999 of Reckitt & Colman—a British purveyor of household cleaning products with a great stable of brands—and the Dutch-listed Benckiser, a much smaller but better-performing consumer goods company. But we don't want to be known as an Anglo-Dutch enterprise, or by any other label based on our operations or history.

We're not any country's company—we're a truly multicountry company. That is by design. Postmerger we mixed the national cultures quickly in every corner of our operations. Premerger many of the local businesses had been running themselves more or less independent of the rest of the world and

without regard to overall corporate priorities. We transferred people who embodied RB's values into key positions in new markets. Managers from one side of the merger were purposely moved to another territory, and then moved again. Now in every country we have people of many nationalities as well as local citizens.

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. It's not that you can't advance at RB in your local company. You can. But we also offer unique global mobility and experience to people who want to grow their careers on a world stage. To facilitate this mobility, we established compensation rules that apply equally to our top 400 managers in all markets, making international transfers easy.

We have just one employment contract, and our salary ranges were developed with global benchmarking. Our annual cash bonus structure and long-term incentive plans are the same for everyone, as are our pensions, medical plans, and other benefits. We have no expatriates in the traditional sense, no tax equalization or guarantee of a job back in one's home country. When employees take jobs in other countries, they're transferred as " local hires. " We've built in standard protocols to make it easier for people with families to move.

For example, we fund whatever school the employee chooses for his or her children because we understand how important that is to a family's adjustment. That way, we can instantly accomplish a transfer—we don't

have to negotiate a lot of convoluted contractual nonsense. We have moved people to new countries in as little as two days. We also do something pretty rare with graduates. In some markets we help foreign students to get work permits in the countries where they've been studying. The very fact that they have traveled to study means they are internationally minded and thus likely to be keen to work in other countries as well.

At a lot of companies it's assumed that employees, having "seen the world," will sooner or later return to their home countries to continue their careers. Our idea is that you focus primarily on the best job possible for you, regardless of country. That kind of life isn't for everyone, and not everyone has to follow that path. But those who love it really love it. It's exciting, and it gives pace, challenge, learning, and a buzz to people's careers—along with the satisfaction of being able to be entrepreneurial and innovative. We try to put our high potentials in stretching situations around the globe.

For example, we had one excellent employee who wanted to be moved to an international marketing job. We had an opening in India, but that would have been a poor choice for him—he's Indian. Our previous three marketing people in India were German, French, and British. If this employee wanted to grow, he needed to acquire different experiences and learning, so a better development opportunity would be for him to work in Brazil or Mexico. Our high potentials have to find their footing very quickly, and most of them grow tremendously when we take them out of their familiar zone.

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Reckitt Benckiser at a Glance A DECADE OF GROWTH , MILLIONS , ? , ? Total ,

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Net Revenue (? M) , , , , , , OPERATING PROFIT , Operating Profit (? M) NET REVENUE , Employees ? , ? , Total , Net Revenue (? M) Operating Profit (? M) Employees SOURCE RECKITT BENCKISER Even their failures in new markets are important learning experiences for our high potentials. One of our top managers, who is Dutch, still talks about the hard lesson he learned when we transferred him to Turkey.

In The Netherlands, where he had worked before, billing and receivables were predictable and orderly. In Turkey the currency suddenly collapsed by 70%—while he was focusing on market share rather than on delinquent receivables. As he puts it, there's nothing like a currency failure to change your views on tight financial management. If you don't express your opinion, you don't have an opinion, and that's a fatal weakness for people who want to do well at Reckitt Benckiser. That means our meetings are a bit chaotic. Everybody wants to be heard, so it's more like an Italian family dinner than a nicely organized board meeting.

What takes over in our meetings is an intensity and a feeling that we have to fight for better ideas. Conflict is good. We don't care about consensus. Not having it doesn't slow us down and doesn't mean that people aren't aligned. We make decisions fast and then all stand behind them. What isn't tolerated is conflict that simply slows down decision making or is for political or personal gain. Almost every key decision is made in the meeting at which it's first discussed. We expect people to come armed with facts, be prepared to argue their point of view, and be willing to live with the decision we ultimately make.

Get 80% alignment and 100% agreement to implement. And move quickly. But I also don't believe in crushing minority views. If we have 10 people in a room, eight of them agreeing on one thing and two passionately believing something else, we don't try to resolve it to everyone's satisfaction. We allow those two to experiment with their ideas—even if everyone else thinks they're wrong. At the end of the day, what counts is not what the 10 people in that room think, it's what the consumer thinks. So we let them run maverick smallscale experiments to get consumer feedback. Sometimes our biggest ideas come that way.

About six years ago we had a huge internal debate about a product called Air Wick Freshmatic, which automatically releases freshener into the air on a schedule. It originated when one of our brand managers in Korea observed a new kind of automatic scent dispenser in stores there. In his opinion it was not a well-designed product, but he thought the idea was intriguing, so he brought it to a group meeting at our headquarters. Vigorous debate ensued. April 2010 Harvard Business Review 105 With so many different native languages in our company, it was necessary to make English the official language for all meetings.

I'm Dutch, but I don't speak Dutch with any of my Dutch colleagues, because if others are around, it excludes them. We are one team with one language. English isn't most people's native language, and often our English isn't pretty. But the way we see it, it doesn't matter as long as you give a view. If you don't express your opinion, you don't have an opinion, and that's a fatal weakness for people who want to do well at Reckitt Benckiser. You have to

stand for something, no matter how bluntly you communicate it. Con? ict Is
Good This article is provided compliments of Reckitt Benckiser Group.

HOW I DID IT HBR. ORG RB's Performance-Based Remuneration Reckitt Benckiser believes it has designed a compensation plan to foster its innovative and entrepreneurial culture. The company has touted performance-oriented pay in its annual report as key to RB's strong growth. According to a 2006 Harvard Business Schoolcase study, the plan, which applies to the company's top managers (including the CEO), consists of three parts: base salary, short-term incentives, and long-term incentives. Base salaries are set near the median for competitors' pay. The real bene? comes in the form of bonuses. A manager who meets all targets will typically receive 40% of his or her base salary as a bonus that year. A manager who blows the targets out of the water A manager who blows the targets out of the water can earn a bonus of up to 144%. (usually that means doubling the target numbers) can earn a bonus of up to 144%. Long-term compensation, in the form of options and performance-related restricted stock, depends on meeting three-year corporate growth targets for earnings per share. New long-termgoalsare put into place each year. Karen Dillon A couple of our managers believed it should be a consumer product in Europe, but a lot more thought that made no sense— it might work in Korea on a very small scale, but it would never work in Western markets. For one thing, it would have to be priced well above the standard air freshener, and it wasn't clear that the market would support that. Also, this would be our rst foray into something electronic, with wires, batteries, interval switches—a

complex technology combination. The product would require new manufacturing facilities if it went to any scale.

But two people meant we had to source materials we had no prior experience with. Today Air Wick Freshmatic is sold in 85 countries, with a wide range of options for consumers. It generates well in excess of \$200 million annually. That product had the most successful launch in our history. Of course, things don't always work out that well. We've launched some beautifully thought-out products that we were passionate about—but consumers weren't. A few years ago we introduced a wonderful product to clean your microwave: You put a little sachet into the oven and start it. While

If someone wants to stand up under stress and say, "No, I passionately believe in this," then I'm willing to take a chance. I saw the potential and was willing to fight for the chance to prove it. If somebody wants to stand up under stress and say, "No, I passionately believe in this. You guys are all wrong! We've got to do this," then I'm willing to take a chance. So in this case I said, "Here's the money—go figure it out, but do it on a small scale. And that's what they did. In January 2004, initial testing of the idea with consumers in the UK produced extraordinary results.

By the end of the year the product was in more than 30 other countries, and we'd overseen the building of a new factory in China to make it—which 106 Harvard Business Review April 2010 the oven is heating, the sachet pops and spreads cleaner around. When it's finished, the sachet has become a cloth to wipe your cleaner away. It was a beautifully designed product. But it turns out that people don't actually want to clean their microwaves all that often,

so we pulled it from the market. If we are going to fail, we want to fail small and quickly.

Failure is actually a huge incentive for the kind of people who fit well with our company, because they're so personally competitive that they'll work even faster for the next success. Everyone wants to do something to get on the map. I just moved one manager from Chile to Turkey. He earned that move because he had done something very challenging in his market—he'd launched one of our "powerbrands," the sanitizer Dettol, in Latin America. It wasn't the biggest success we've ever had, but the point is that he did it. He was the guy who brought Dettol to Chile and created a platform for its growth.

That's his mark on the business. That kind of thing earns you a promotion in this company, and the promotion will probably take you to another part of the world. Some people look at us and think they'd have to be nuts to work here. We're looking for people with a certain level of maturity, intensity, and competitiveness. If you bring all of that to Reckitt Benckiser, it will be rewarded. (See the sidebar "RB's Performance-Based Remuneration.") As the CEO who has guided the company for more than a decade, I'd like to take credit for having a brilliant strategy or unique insights into the global marketplace.

But in reality the "vision" slide we use today is the exact same one we've used since the merger. We have a very simple approach to the business: Focus on 17 powerbrands in fast-growing categories, innovate and invest behind them—and do so in every market. At the end of the day, what is most

distinct about Reckitt Benckiser is its people and culture. I can tell in three minutes if someone would be a good fit for our company. We'd rather have a position open for a long time, if necessary, than put the wrong person in place. It's that important. HBR Reprint R K This article is provided compliments of Reckitt Benckiser Group.