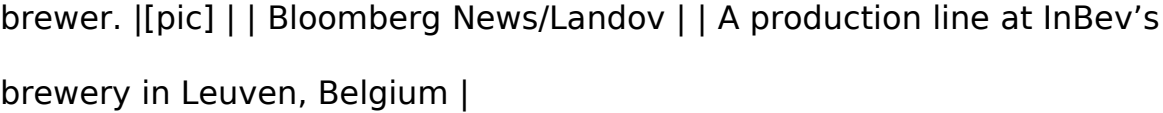


# Organisation culture a gung-ho culture rules essay sample

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Brazilian-managed beverage giant InBev NV isn't a household name in the U. S. now, but if it proceeds with its unsolicited bid for Anheuser-Busch Cos., its high-octane corporate culture could easily overwhelm the iconic U. S. brewer.  | | Bloomberg News/Landov | | A production line at InBev's brewery in Leuven, Belgium |

That culture is on display each workday at the 7: 20 a. m. sales meeting at InBev's distribution center in this town outside São Paulo. On a recent day, supervisor Fernando Correa paced like a soccer coach before a big match as he reviewed the day's sales targets in front of about 30 blue-jacketed sales reps. Then, at the wave of Mr. Correa's hand, a salesman began pounding on a huge samba drum, and the reps belted out a raucous version of a motivational song about selling beer. When the foot-stomping, table-pounding music ended, the salesmen hopped aboard their motorbikes and headed off to nearby restaurants and mom-and-pop shops to pitch the company's beers. At InBev, a work atmosphere reminiscent of an athletic locker room is a key ingredient in a culture that also includes ferocious cost cutting and lucrative incentive-based compensation programs.

The work ethic is largely the design of Jorge Paulo Lemann, a former Brazilian tennis champion who is one of InBev's chief shareholders. The Harvard-educated Mr. Lemann, 68 years old, has borrowed management techniques from such corporations as Goldman Sachs Group Inc., Wal-Mart Stores Inc. and PepsiCo Inc, while adding a dash of Brazilian verve and flexibility. Since the company was formed four years ago, InBev has built a presence in 130 countries with 200 brands, including Stella Artois, Beck's,

Labatt Blue and Brahma, and Mr. Lemann and his principal Brazilian partners, Marcel Telles and Carlos Alberto Sicupira, have become billionaires.

But it is unclear whether combining with the relentlessly striving Brazilians would appeal to tradition-oriented Anheuser-Busch. So far, Anheuser Chief Executive August A. Busch IV, 43, has reacted coolly to preliminary approaches from InBev, according to people familiar with the matter. In addition to misgivings within the Busch clan, the St. Louis-based company, with its trademark Clydesdale horse teams, is a potent symbol of Americana whose sale to a foreign company could raise political objections. (See related Breakingviews commentary.)

Busch managers considering a coupling with Mr. Lemann's company can't be encouraged by the fate of the managers of Belgium-based Interbrew SA, which merged with Mr. Lemann's AmBev in 2004 in a deal valued at about \$11 billion to form InBev. Though the combined company had its headquarters in Belgium and an ex-Interbrew executive as its first CEO, the go-go Brazilians soon turned the tables on Interbrew. Brazilian Carlos Brito, 48, replaced the older Interbrew executive in the CEO's post in December 2005, and Brazilians have moved into most of the top positions. In a February talk at Stanford University Business School, where he himself was trained, Mr. Brito suggested that AmBev's business culture amounts to an irresistible force. "At Ambev, we had this culture that...has never changed," he said. At Interbrew, "they grew by acquiring existing businesses, and they didn't have a culture of [their] own."

He said Interbrew was ripe for AmBev's embrace and ready to accept a new way of doing things. InBev's Belgian executives, analysts and investors — and the country's political and economic elite — say they support the company's continued drive for international size and expansion. They also grudgingly acknowledge the company is no longer theirs. InBev "used to be totally Belgian, then it was Belgian-Brazilian, and now it's Brazilian-Belgian," says Economy Minister Vincent Van Quickenborne. "We're a very open economy. We don't have this sense of economic patriotism like the French." But in building their beer empire, the Brazilians at InBev have rubbed some people the wrong way. Some Belgians, who are connoisseurs of beer much as the French are of wine, have complained that the Brazilians are excessively bottom-line oriented, viewing the suds as a mere product.

In 2006, InBev faced strikes and protests in its Belgian operations after announcing a plan to restructure plants and lay off workers. "The Brazilians are very aggressive with the trade unions," says Marc Delvenne, a Belgian union official. "It's always 'no, no, no.'" The company says that it has had "a very strong and constructive dialogue with the unions" and that it minimized the layoffs to 39 posts through internal transfers and an early-retirement program. A harsh dispute arose in the spring of 2005 amid a strike by unionized workers at a Labatt plant in Newfoundland. The company brought in an outside security company to guard the factory, according to union spokesman Chris Henley, and there were scuffles between security guards and picketers. The union called for a boycott of Labatt, assailing management as "a bunch of Brazilian bullies who think they can teach our workers a lesson." The company and union agreed to a new contract very

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soon after the boycott call. An InBev spokeswoman says Labatt hired “ a highly trained professional security firm” to ensure it could operate the business safely during the strike, and it was pleased to reach an agreement with the union. Even in Brazil, the operating methods — which a company informational video boasts have the efficiency of a military operation — have caused some problems.

The company has faced a handful of suits in Brazilian labor tribunals for moral harassment, defined as affronts to employees’ dignity. Some of the hazing cases involved underperforming workers being forced to do push-ups, perform ridiculous dances or answer to insulting nicknames like “ Forrest Gump,” says José de Lima Ramos Pereira, a Brazilian prosecutor specializing in labor cases. Following an investigation by public prosecutors, AmBev recently agreed to spend one million reais (about \$600, 000) for an ad campaign against moral harassment and for vehicles for labor inspectors, according to a settlement agreement. An InBev spokeswoman says that the incidents were “ isolated cases” that took place several years ago and that the company has since established procedures to prevent a recurrence. She adds that surveys by Brazilian business magazines often cite AmBev as one of the country’s best places to work.

The Brazilians certainly aren’t apologetic for having high standards. In the Stanford talk, Mr. Brito said that in a corporation, “ great people attract more great people. That’s obvious. But the opposite is even more dangerous. Mediocre people attract more of the same.” Mr. Lemann, whose father immigrated to Brazil from Switzerland, was a pioneering surfer in Rio de

Janeiro and a tennis star who played at Wimbledon and in the Davis Cup. The perfectionist Mr. Lemann cut back his time on the courts after “perceiving it would be difficult for me to be among the 10 best in the world,” he once told a tennis magazine in Brazil. Dedicating himself to business, Mr. Lemann bought a small investment firm in 1971 that he turned into a vehicle for his acquisitions. The firm, Banco de Investimentos Garantia, had some business dealings with Goldman Sachs, and Mr. Lemann started emulating Goldman’s incentive-based culture.

In 1982, Garantia launched the first hostile takeover ever in the Brazilian stock market, taking over a bloated, underperforming retail chain called Lojas Americanas. Eager to learn retail, Mr. Lemann and his partners reached out to the owners of big chains around the world and befriended Wal-Mart Stores Inc. chieftain Sam Walton. When Mr. Lemann and his partners bought control of the big brewer Brahma in 1989, they did away with company cars, fancy offices and the executive dining room. They also introduced zero-based budgeting, which starts each year’s budget process with a blank sheet of paper, ignoring how much was spent in a given area previously. In 1999, Brahma merged with local rival Antarctica to form a brewing juggernaut, AmBev, that controlled 70% of the Brazilian beer market. Mr. Lemann hasn’t only had successes. Partly because he was distracted by a heart attack he suffered in 1994, Garantia wasn’t prepared for the Asian financial crisis of the late 1990s and had heavy trading losses.

The partners had to sell the bank to CreditSuisse for \$675 million in 1998. On a personal level, Mr. Lemann was rocked by an attempt to kidnap three of

his children in 1999 in São Paulo. He moved his family to Switzerland after that. But InBev is turning out to be Mr. Lemann's monument, partly because the company works so hard to replenish its talent base. When the Fundação Getulio Vargas, a top Brazilian college, holds its annual intern-recruiting week, many companies send midlevel human-resources officials with stale promotional films. AmBev and InBev, by contrast, have always sent senior executives, and the company has wooed many of the best and brightest students as a result. InBev uses all sorts of gimmicks to motivate workers once they join the company. At the Diadema distribution center, the company TV channel shows what looks to be a Brazilian game show, complete with bouncy music, a blond hostess and a raffle of prizes for sales reps. The more sales they make, the more raffle tickets they earn, so the salesmen have one more incentive to give their all.