



Dr. Helmut Maucher

**“WE ARE NOT JUST RESPONSIBLE
FOR WHAT WE DO, BUT JUST AS
MUCH FOR WHAT WE DO NOT DO”**



Henri Nestlé was one of the key movers in the early history of the enterprise that was later to become Nestlé. As a pharmacist, he was on the lookout for a healthy, economical alternative to breastfeeding for those mothers unable to feed their infants by themselves.

With its headquarters in Vevey, Switzerland, Nestlé was founded in 1866 by Henri Nestlé and today it is the world's largest food and beverages company. Nestlé employs approximately 247,000 people and has factories or operations in almost every country in the world. In 2005, Nestlé generated a turnover of 91 billion Swiss francs. The company's priority is to supply the best and most essential products to people – wherever they are, whatever they need – throughout their lives.

We talked with Dr. h.c. Helmut Oswald Maucher, Honorary Chairman of the Board of Nestlé.

In your lifetime you have experienced dictatorship, war and poverty on one hand, as well as something I would call incomparable extraordinary business and entrepreneurial success on the other. How have all these experiences affected your personal philosophy?

Up until the age of twenty, I grew up and lived in a small village in the south of Germany. After the war, the chances of getting a proper professional education did not seem very promising. My future career seemed set as a craftsman or a farmer. I remember an officer at a French school telling us, that 'For the next one hundred years Germans won't be given any positions of power'. We didn't have many illusions then. Looking back, being brought up in a small village was probably the right place to develop an optimistic mind, sustainable relationships and the self-confidence needed to take decisions. I think you gain deep knowledge about individuals because you are confronted with all types of characters in a microcosm. Experiences like these taught me a great deal about meeting different people from different cultures and understanding their attitudes, one of the most important skills for managing complex organizations.

I started from scratch, and step by step I made it to the top of Nestlé which I suppose basically means that every stage of my career enabled me to do something that was considered valuable. I never focused my efforts on attaining more merits – quite a prevalent

attitude nowadays among the people I call 'career-opportunists'. I never had an idea of how far I would make it. I never had a fixed career plan. However, I was self-confident and convinced that I could do the right thing properly.

My first years of working for Nestlé were shaped by what we now call 'multi-tasking': studying at university, marriage, raising a family and working at Nestlé. I never felt stressed or exhausted and, even though I worked a lot, we still managed to enjoy life. I believe in that combination, even in difficult circumstances, life retained a certain balance between a commitment to the job and to my private life at the same time. For me, people who want to make it need to know more about life than just about management, accounting, marketing or selling Nescafé. The higher the job level, the broader your mind needs to be. I often say to young people: 'First, be prepared to work hard, otherwise it won't work. Second, try to commit yourself to your work, but at the same time remain open-minded. Paying attention to different issues will help you in business. Third, be prepared to commit yourself, but balance this with other aspects of your life and don't always think about how to achieve the next step of your career'.

What drove you throughout your career? These days, many people are only motivated by money and the will to achieve results overnight.

That never motivated me. I was never inspired by being financially successful as a way to collect property. I always wanted to achieve something by following my goals and enjoying the work I did. This rule applied up to the highest positions. When I was head of the German market, I never thought that one day I would end up at the headquarters of Nestlé S.A. in Vevey. To me, this was the ultimate position: a dream job. Because of the political and psychological problems at the time, I never imagined that they would take on a German in one of Switzerland's largest companies. When they finally came to their decision to it was probably based on two facts: they found out that I was the right man to run this type of business and were practical enough not to ask where I am from, but to say 'Let's take the best man'. I didn't expect it to happen.

Several highly respected sources describe you as the ‘co-creator of the German economic miracle and a true cosmopolitan’. What do you think is needed in today’s German economy and on a wider scale in Europe to grow faster?

First of all, in all my professional life I was always committed to Nestlé so my main priority was to do something useful in that respect. Secondly, I am German and I like my country with a sense of patriotism. Thirdly, both European and global issues have increasingly become indicators of progress and development. I have always been interested ‘in taking the bull by the horns’. I suppose you could say I am a global citizen. But I don’t believe in people who are cosmopolitan and have forgotten their roots. Life doesn’t work like that. Other people are too nationalistic and do not accept anything else. Both viewpoints are wrong because we all belong to diverse commitments and we shouldn’t forget that. From that perspective, politics has always been a source of great interest to me. In the course of my responsibilities for Nestlé I also occupied some leading positions in several international groups and organisations such as Chairman of the European Round Table of Industrialists and President of the International Chamber of Commerce in order to contribute to overall economic developments – and to raise the profile of Nestlé.

So, what should we do nowadays? A lot (laughs)! And we all know this. In my perspective, the ‘social market economy’ is basically one of the most successful ways of developing our society because it guarantees a beneficial combination of prosperity, freedom and social care. Bearing that in mind, Germany got a good start after World War II and this was part of what made Germany’s economy so successful. In my opinion, the social market economy is still Germany’s best export, better than Mercedes. Unfortunately, this excellent model of balancing economic and social interests has shifted out of balance as has become clear in many issues throughout Europe. Every country has its own problems that each of them overstates. This is not simply a question of a financial deficit. In recent years, Germany has partially overstated ecological questions and it affords a form of worker codetermination unlike any other country in Europe, with a lot of negative effects. Shop committees are valuable and I would have invented them if they hadn’t existed. I am absolutely convinced that it is important that employees are represented and involved in management decisions and are part of a continuous dialogue.

But I am also convinced that the conceded position of the institution the works council has gained has been exaggerated. It is not good when employee representation can block many necessary decisions. I find it unacceptable that we lose valuable time in a highly competitive global marketplace in order to achieve a flimsy compromise at best. It is time that we take these structures fully into consideration. There is no doubt that everybody should be able to exercise their legal rights but, by exercising all of our rights to objection, we are slowing ourselves down and wasting energy. However, I do understand that employee representatives as members of the board are in a very difficult position. On one hand, as stakeholders they have to support awkward business decisions because they are obliged to economic growth and, on the other hand, they depend on their community which has a completely different agenda. This leads to a form of 'schizophrenia' – where one half has to think as a union and the other half as a board member. All these aspects sometimes remind me of a quote from Wilhelm Röpke, a famous economist of the previous century who lived in Geneva. He said, 'Every system dies on its exaggerations' (laughs). If you exaggerate democracy you get paralysis, if you exaggerate social expenses you achieve laziness and the costs are too high, if you exaggerate codetermination, you lose competitiveness. To get back to the question – we need to find a certain balance again between the remaining social welfare standards and accelerating and economic progress.

One of the reasons for this debate most probably lies in the fundamental misunderstanding that some people believe they can escape international or global competition. Yet it is obvious that each individual is part of this change. This is indeed a European problem. Chinese or Indians for example smile at it! We should be aware that they are on the best way to determining the rules of the game.

We cannot return to the former economic and political structures of the world. What is clear to me is that Europe will not play the same role as in the last thousand years. China and India have created a new balance of power. Finally, Europeans have to learn to act together if they want to play an important role in the context of a new world order. To some extent, we still have a long way to go. The attempt to agree on a single European constitution failed – because we are all individualists, because we are all different. Although we have a lot in common, we still have a lot of differences in our traditions. To succeed we must remind ourselves of our long-established common assets and we will have to develop new ones. We have to work together more and speak with one common voice when it comes to

essential questions. I am referring to a common foreign policy, a common security policy, a common immigration policy, the war against terrorism, and so on. But, to avoid over-regulation, we need to re-delegate other issues to individual countries on the basis of subsidiary law. So, let's allow competition. We don't need to regulate every detail with thousands of pages and legal restrictions from Brussels. More de-centralised thinking and action will make political processes more understandable for people and more favourable for participation.

When I was little and I didn't want to eat something, my grandmother used to say 'You have to eat it because there are children in India, China, and Africa who don't have anything to eat, who go hungry every day'. Today, I'm afraid I have to say to our kids 'You have to learn very hard because there are millions of young people in India and China who want your job'.

Exactly, this is a valid message for both young and old alike. Couple of years ago, I gave a speech in India at New Delhi's most important management university. When we arrived at the university, the whole faculty was out in front of the building waiting for us. In the corridors on the way to the auditorium, there were posters every thirty metres declaring 'Mr. Maucher to talk on the topic of organisations'. When I entered the room, everybody was on time, the students were wide awake, intelligent and eager to learn. I usually make presentations at German universities. At one of my talks there, I think it was a Saturday morning, 30 percent of the course was present; the rest were out skiing or playing tennis. And yet some of these Indian students had probably come from as far as 50 kilometers away. These are facts.

We have to change our attitudes.

I personally believe you cannot be successful by being defensive. Protectionism is nothing other than acting defensively.

Precisely. Once again, if you want co-operation you sometimes have to bite the bullet. Some statesmen (Adenauer, Schuman and De Gaulle, for example) knew this because they were thinking ahead.

Now to the question of the paradox of globalisation: companies are growing larger and richer, while people have less and less. How can we deal with or solve the Gordian knot of global wealth distribution?

I don't agree with you on this point. If you take an objective look at the statistics you will see that almost 500 million people have managed to free themselves from poverty simply because of globalisation. In general, globalisation ultimately encourages the growth of prosperity and wealth. It is not surprising that those countries suffering are predominantly countries that haven't developed a free market economy. In all of these discussions about social equality, you have to differentiate between relative differences or absolute standards. I truly believe that if we want to benefit from and learn to accept globalisation, we have to do certain things. Investments in foreign countries must make a clear difference for the affected people, otherwise they won't be accepted. For Nestlé, as a global company, one of the key questions is, 'What is the benefit for the country?' We know that if our actions do not benefit a country, they will not work in the long term. However, as long as OECD countries refuse to abolish some of their protective legislation and only use their power to export more and don't allow other countries the opportunity to import products, the system will remain out of balance. So, to sum up, globalisation is useful for the whole world, for everybody, but only on the condition that each party has the same opportunity to grow within the framework of its own potential.

If we take a look at almost every MBA programme or textbook across the world from the past 25 years we see 'shareholder value' being espoused as the main purpose of any corporation. That ideology has severely damaged the cultural level of how corporation is led and you see that through executive compensation.

I have made a lot of statements on that topic and given it a lot of thought because it is a great worry. You are quite right. To put it plainly, in my view, the 'share value' concept has gone too far. It tends to be too short-sighted and a process needs to be thought of in a longer term. I have always been against this type of what I call 'share-value fetishism'. Companies today face a great dilemma. On one hand, they are confronted with the pressures of the capital market, financial analysts and the media to achieve short-term results, sometimes at the expense of the long term as these results are not always in favour

of a long-term strategy. This is one side of the coin. And I encourage companies to resist. We have to stand up to this pressure. The important task for the board of directors is to put the emphasis on the company's long-term policy.

On the other hand, companies are being requested to take on more responsibility in social and ethic matters even if they are not always in the interest of the company or its shareholders. Certainly, in the long term you do certain things for your company's image, invest in people, R&D and technology. This motivates employees and makes the company attractive to shareholders as well as stakeholders. A high EBITA combined with management salaries exceeding tens of millions of euros yet at the same time firing 6,000 people – this is a paradox nobody understands! Without practising social responsibility within a long-term view we are not doing anyone any good.

Which qualities should a modern leader or a modern manager have?

My first demands I place on managers are courage, nerves and the ability to remain calm despite great pressure. Several other critical success factors come to my mind, but one of them is essential: communication – the ability to motivate people inside and outside the company. Today's world doesn't work without communication. You need to be able to think in context without specialisation, you need to have the capacity to create a climate of innovation but you don't need to innovate everything yourself. To me, one of today's most important manager qualities is the credibility to create confidence. We have become so used to seeing people preach on Sunday only to do the very opposite on Monday. I say credibility is key and if you earn over ten million a year and sack 6,000 people the following day because your stock options are more important, then you will lose your credibility for at least ten years. If we want to manage a complex world, managers have to be prepared for change and to be able to manage change. They obviously also need international understanding. Apart from education and professional know-how, these are assets which will become increasingly important. In a nutshell: develop more social skills, not more technical ones.

**How do you see the future of the food industry? Who will win the game in the end?
What is the future of brands?**

First, I think it would be best to start with the last question. Brands have a great future – but not everybody who creates a label creates a diamond. Branding is much more than that. It is a sort of holistic approach: the name, the brand and the product behind it, the consumers who decide to buy it, its appearance, the environment and the conditions of production all add up to create the image of the brand. That is important to realise. You must guarantee continued and perceived quality and take a suitable price into consideration and at the same time you have to create and highlight the difference. Brands symbolise identity and confidence. Secondly, in today's world, which seems anonymous, technocratic and incomprehensible, people look for elements they can rely upon that give them peace of mind. In the long run, brands can achieve this in their close relationship with the consumer. Bearing this in mind, brands have the potential to lead customers through the shelves and set up benchmarks against competition. The brand benefit is essential and must be relevant and visible to the consumer. At Nestlé we have agreed to only launch products on the market that manage to reach a 60-40 preference in market research tests. We must be cost efficient, meaning that the difference in our prices must still allow the majority to accept and pay that price.

The food industry has a great future as well. Growth rates are on the up, and Nestlé takes this into account in its long-term plans. Talking about something entirely different, the developing countries are now moving from 2,000 to 15,000 dollars per capita. This type of income development represents the biggest potential for the food industry. Thankfully, Nestlé presently already operates in all of these countries. The potential is tremendous.

Currently the developing world, which represents 80% of the world's population, accounts for only 30% of our turnover. However, the demands in these parts of the world are growing steadily. People want convenience, better quality and service and they want a modern lifestyle. Therefore, I also see tremendous opportunities in developed countries in the sense that they are striving to improve quality. A cup of Nescafé today is completely different from a cup of Nescafé twenty years ago. Because of technological progress, the food industry of today offers more convenience and taste. For different demands we deliver chilled and frozen food, canned food and, if you look at dehydrated sauces and supplementary products, you would be surprised at how excellent the quality is. Finding out which specific preferences consumers have is one of the greatest challenges facing the food industry.

One of those preferences is nutritional value. This can be exaggerated of course, but it is an important factor when giving certain products specific nutritional characteristics, for example, low in calories or sugar. In that respect, Nestlé is in a fantastic position because it already has an image aimed at its nutritional balance, from its baby food. That is a definite advantage.

The uniqueness of a product is one of its most convincing arguments! Our portfolio now has more and more sophisticated products based on technology and scientific knowledge which can't be imitated.

If a product is competitive in terms of brand awareness, quality and visible relevance and generates strong demand with the consumer, retail sales will follow us. Almost automatically. So, to sum up again, I believe most problems can be solved by finding the competitive advantage. I always remind my managers to look more at how to achieve a basis for success and less at annoying customers out to kill you, because they have the ammunition. If you have the right 'munitions', i.e. arguments, you will win in the end. In the past, your personality, your experience as a seller or your investments in advertising was your greatest potential. Believe me – these times are over. You must perform in order to win.

Let's return to complexities and professionalism. You have stated once: 'At the end of the day, we aren't just responsible for what we do, but just as much for what we don't do.'

Unfortunately, in order 'to avoid problems' many managers and politicians are only focused on how to avoid certain things instead of doing certain things. The reasons are manifold: they have less courage to take difficult decisions. What they fail to see is that, if we avoid a problem in the present, it will cause greater ones in the future. If you prefer to take the easy way in a competitive world, you won't be successful in the long term. Therefore, we have to assess and select our managers based on both on what they are doing as well as what they aren't doing. Managers who dodge decisions are not fulfilling their duty and are not contributing to the long-term development of their company. Decision-making by anticipating the future – and courage – are an essential part of good entrepreneurship.