

## **Nestle G L O B E project**

### **Change Artists radio show interview circa 2006**

Nestlé was founded almost 150 years ago; today, it's the largest food & beverage company in the world. CEO Peter Brabeck and Deputy Executive VP Chris Johnson discuss how embracing change has given the company the flexibility to move in new directions while still maintaining the integrity of the brand.

Hi, welcome to Change Artists. We're live from Vevey, Switzerland where we're at the headquarters of the food and beverage giant, Nestlé. Our guests today are Peter Brabeck, who is the CEO of Nestlé. Peter, welcome.

Thank you.

As well as Chris Johnson, who is the deputy executive vice president and has led a major IT transformation project here. Welcome, Chris.

Thank you.

Peter, let's start with a little bit of a Nestlé background because Nestlé is such a big company and it probably touches people's lives in ways they're not even sure about today. Talk a little bit about what the company is involved with right now, what are the challenges the company is dealing with, and where do you see Nestlé heading as an organization?

Well, John, I think every CEO, basically, has to be constantly preoccupied [with] how he or she can add value to its consumers. I

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think that's the most important one. And by doing well, he will add value to his shareholders and to its other stakeholders around. So my main preoccupation is all the time, how can I add a little bit more value to my consumers? Now we are a 140-year [old] company that started as an agro industry. If you look at the value chain of an agro industry, you will see that raw materials were very important, of course. This makes a big part of the value chain. Then comes technological processes in order to transform these products, and then you have marketing and distribution. Now if I look forward, I think we will have to add to this value chain a very important part, and this is basically research and development and IT. And the reason for that is that our consumers are realizing that nutrition is the door opener for health and for well being. And nutrition is more and more the result of very fundamental research and then very strong development. And on the other hand, what you also have is that you have to find a way how you can run efficiently a very complex company. And I think today, you can only do it by using - very creatively - IT.

Well, let's talk about that because that's really, Chris, at the heart of the GLOBE, which is the Global Business Excellence Project. I want to talk a little bit about your background because you're a non-IT person leading this transformation. You came up through sales and marketing. You've worked, really, all over the globe for Nestlé - Japan, France, Taiwan, here, United States. How did you get involved with this GLOBE Project and tell us what you're trying to do with the GLOBE Project?

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Well, the GLOBE Project, overall, is really not an IS/IT project. I think if it was I don't think he would have chosen me to run it, because certainly that's not my background or my expertise. It's really a business initiative. And maybe to explain it a little bit - GLOBE stands for Global Business Excellence and it was started, basically created six years ago by Peter Brabeck and the executive board as a way to allow Nestlé to leverage our size better, to leverage our size as a strength, and also to figure out a way that we can take complexity - because we're a complex organization. We sell a wide range of products in virtually every geography of the world, through every channel we can, and to try to operate with efficiency, which is something that our competition has not been able to get a grip on. So in order to do that, this program was established with three very simple objectives. Not simple to do, but very simple to remember. The first one was to implement harmonized best practices. So in other words, to take the best ways in doing business around the Nestlé world and share them. Very basic. The second one, which is not very sexy, but very important, is to standardize our data and our approach to data management; to treat data as a corporate asset. And the third one is to then support this and enforce it through standardized systems and technology. So it's harmonized best practices, standardized data center, and systems. And I could say that probably almost everybody in the Nestlé world can recount these three objectives. And that's what we've been focusing in on the past five years, really, is designing the systems, defining the processes and now

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implementing them. And we're at a stage now where we've basically implemented processes, data, and systems across around 80% of our global operations. So we have today *about 100,000 users, over 500 factories, 400 distribution centers, and 300 sales offices, at least by the end of this year, running on GLOBE.* And the next challenge then is how do we leverage this great investment that we've put in?

Well, let's talk a little bit about that. One of the things that I was struck with in a discussion I read with you was that you described GLOBE as a single source of truth for the company. What did you mean by that?

Well, it goes back to that second objective. When we talk about data centers, data management, we didn't before GLOBE, have, for example, a standard way to code our leading customers. Carrefour was coded in different markets in which we supplied that customer. The same for a lot of our key materials. And we spent a lot of time in the markets, and even here at the center, trying to sift through and find out, how much do we really sell to Carrefour? How much does this vendor do with us? And this allows us now, basically, to have a data platform which is clean. And the first thing that we had to do before we could do this is establish standards, one, and the second was to clean up the data standards we had in this company. Because quite honestly, *we thought before the GLOBE program that we had 6 million customers, vendors, and materials. At least that's what was in our systems. After going through the*

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*GLOBE exercise of cleansing, we realized that, well, about two-thirds of that was duplicate, obsolete, or just plain wrong. And so getting to that truth is very important. And only if you have that database, clean database, are you even able then to really leverage it in decision support and other areas.*

That makes sense. So Peter, I was struck by a comment that you made that while Nestlé is a giant global company, 200 countries around the world, your customers and your business are all local. And that makes business very complex and that this project is really aimed at driving that complexity out.

You see, first of all, we were running this company like a fantastic supertanker, a 500,000-ton tanker, and pretty successfully so. However, if you want to continue the growth, you come to certain limits and we had to find the way how we can break up this supertanker into an agile fleet of different boats - destroyers, fast boats, carriers, and things like this. And really, the idea about GLOBE came anecdotally from a completely different experience. I was invited by the Chilean Navy to participate on one of their maneuvers and I was invited to the admiral's boat and I was impressed how the admiral in his room was able to use the different ships of the fleet for different attacks. There was an island to be attacked, it would take a smaller unit, a carrier. There would be a big bombing or something, you would do something different. Every single boat has its own crew, its own mission. All of them came back in order to supply themselves from

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one common fuel boat, one common munitions boat, and one common food boat. And this idea about an agile fleet and the generating demand, but having leveraged huge supply chains behind it, was basically the basic idea. Now what you have to do in order to be able to do that, of course, is you have to have the three things that Chris was just mentioning. You have to understand what is happening on each one of the boat[s], which is basically the common business practices. You have to have the centralized data management, and in order to manage all this information flow that you have, you have to have one common IT platform. So very simple, those three objectives of GLOBE is just enabling of a big transformation of the organization.

So that - and it sounds simple, but let's talk about the reality of it because people say, "Oh, this is the next..." Will never work. "... big thing to come down from headquarters ..."

It will never work ... "If we ignore it long enough, maybe it'll go away." Chris, how did you get people on board? I mean when you talk about things like best practices, very political topic. My best practices are best.

Absolutely.

He thinks his best practices - how did you get people on board? Well, to be honest with you, I wasn't really sure we'd be able to pull that off. I mean a great idea to have an idea of a harmonized set of practices, but clearly, I could imagine Germany not necessarily accepting what Chile or Argentina or Peru would want.

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And I think what we did - and there's different ways you could do this, but we chose a way - you can either go on the outside and have consultants or people who know define the best practices for you, look externally; you can look at your central head office and have the people design it here and then push it down to the markets; or what we did, which is different, was we invited, basically, people from the markets, employees from the markets to come here and in 2001, for about a period of a year, we had over 300 people come, from 40 different countries, which was a bit of a culture shock here on Vevey for all these people to descend all within, really, a couple weeks' time of arriving. And they debated and argued and so on. And I remember, I had initially some difficulty in getting markets to send people, but I went on the road then and explained, especially to the bigger markets. I said, "Look, this is what we're doing. We're defining these harmonized best practices and then we're going to configure our software with them. So you have a choice, you can either be part of the game and help shape what we're doing, or you can let the others do it for you." And then boom, within, really, a couple months' time we had 300 people on board. But that's how we did it. And these were people - not at the highest levels of the organization. These were the people who actually worked every day, whether it be in sales and marketing, manufacturing, HR, all different parts of the group. And that's also what makes our program a little bit different.

Yeah, and I understand that you actually made business units give you the kind of people that they don't normally give up to these

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kind of projects. You made them give you the people that they would really miss, working on your project.

Absolutely. If somebody was too easily volunteered to me, I was very suspicious and generally turned them down. Now I understand that there was a dramatic moment where you actually offered folks your job ... That's right, yes. ... in order to change some thinking about that.

Yes, that was early on in the program. In fact, one of the first market managers' meetings where we invite all of the market managers from around the world to come every 18 months or 2 years.

And this was very early in the program and we did that, and Peter allotted a day after this meeting to have a GLOBE day. And Peter, actually, you didn't come to that meeting ...

No, on purpose.

Because - on purpose, because we knew that there was a certain amount of tension and concern and it was a chance to let it out. And so that certainly worked. In the morning of that meeting, it was just nonstop questioning, challenging, and worse. And I remember it reached the point at lunchtime, I figured what am I going to do here, because I was worried that this thing was getting a bit out of control. A bit of challenge is fine, but you know ... So I remember I came in after lunch and they were sitting there looking at me like this, and I stood up and I thought, maybe they thought I was going to give up or walk away and I said, "Okay,

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guys, I've got a question for you now." Because they were asking me questions all day. I said, "How many of you want my job?" And they all sat on their hands, of course, which I expected. And I said, "Okay, that's fine, I understand that, but you know, if GLOBE doesn't work, I get fired. I said I know you don't care," and of course, they didn't care.

Right, some of them may have been wishing for that.

Exactly, some of them may have been wishing that. But I said, "Hey, but if I get fired, you what's going to happen? I get fired and then Peter Brabeck is going to pick one of you to take my place." And so they laughed and that was a bit of an icebreaker, not that that sold everybody, but at least then it was sort of a changing perspective that, "Look guys, we're in this thing together and it's your job to make it work." And that's the secret to GLOBE. They own it. It's these market heads, it's the people in the market. It's not Peter's project, it's not my project. It's our employees' project.

But I will argue to some extent, because it is Peter's project.

Peter, you've made this part of your legacy here at Nestlé, and there may have been times where your voice needed, really, to be lent to this process to make sure people were behind it. Talk a little bit about that. How did you show your commitment to this project?

Well, I think first of all, we let this project evolve first out of a vision, out of an objective that we had set and then evolved it

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within the executive board. And it took quite some time. I mean this is not that we started in the year 2000 with this. We started about two years before, talking about it, and starting to form it and shape it. And it was really in the year 2000 that we finally could come to an agreement on the executive board that this was a necessary step. There was not everybody on board. Many people feared that this would lead basically to centralization of decision making, whereas we, frankly speaking, in my vision, it was in order to allow more decentralization. But you have to go through a certain time where you, when want to manage data centrally, you have to centralize this part, but this is not decision making. This is just data management which we centralized. The whole idea was always decentralization, but some people didn't see that. I think the next step was very critical. First of all, to find the right person. And I had met Chris before in these different functions and I was always impressed because he was a change artist already, at that time. He did many things differently when he was out in the markets and he was not an IT guy, which I thought was extremely important for the project. Because if it was being seen as an IT project, I think we would have got the wrong people on the boat. We had to show very clearly through the leadership that this is not an IT project. And the second thing was that I appointed him to be a member of the executive board. And of course, this has never happened before. First of all, at his very tender age to be member of the executive board of Nestlé was already a rupture with the past. But secondly, that you would take a project and make them a member of the board was not obvious. But it helped us also that

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every single executive board meeting we had, Chris had to report to the executive board. And we were completely - the board was completely involved in this thing. And then the last step I did was when he had all his GLOBE people from all around, finally, he had created his team, I told the team very clearly. "Look, this is not a project that we might perhaps win or not win. We are going to win that. Because this is going to be my legacy for the company, and you have to help me to establish a good legacy and not a bad one." So I basically put my legacy into this one project.

And your fate was in their hands?

My fate was in their hands and you have to help me out here. I mean

you have to really help me that this succeeds. I think this was also an emotional part, I would say I think this was very important.

Just to build on that, too, I think that is clearly the key success factor. And when I talk to my peers in other companies, they're very jealous of this type of clear top support and commitment and leadership. And it's not just from Peter's side. And that's true what Peter is saying and that's very clear. But amongst the entire executive board and the leadership of this company, it's united that way. And I think an organization can smell, can sniff, if there really are people there, doubters are not believers. And that's the reason why it's worked. I mean it hasn't been perfect all the way through, clearly, but it's this type of support which has kept it moving.

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So just to drill down on that a little bit more, what would you say is the single biggest hurdle - and I'd love both your perspectives - single biggest hurdle to the project and how you got over it?

You want to go first?

Well, yeah, I can - see, which one do I start with? I think the - like I said, the key platform was set when Peter had put his commitment forward on this. I think the next big hurdle really came in making sure to get, not just the minds, but also the hearts of the market management, and the people involved. And as I talked about earlier, I think we did that through involving them. I mean I think that people don't, are not adverse necessarily to change, but they like to be a part of it if change is going to happen. So not only did they send their people to design GLOBE, but also when GLOBE is implemented in the markets, when put in the processes, the data and the systems, it's the markets which are responsible for it. And that's why I'm saying, it's their project. They own it, they pay for it when they put it in. And which I think is very important, so make sure we do it not just well, but also we do it efficiently. And I think getting that buy-in and so on was really a key, key point in the success. Another thing also I think was an acceptance from Peter and the executive board and from the group that things would not be perfect. I talk to other people in my role in other companies and there's this somehow this quest for perfection. It will never happen. And you still need to move ahead and forge ahead. Learn from the mistakes, learn and then move forward. So we move with speed. I

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mean what we've accomplished from our first go-live in 2002 to the end of 2006, with 100,000 users, 500 factories, is unprecedented. And that could only be done, really, with really a push for speed and not for perfection.

I think the biggest hurdle is the success of the company. You see, we are very, very successful company. And you have to convince people ...

Why change?

Why should we change - why should they take such a risk? Don't forget that many people have tried before to introduce a small part of what GLOBE is here. And here we were saying we're going to do that at our complexity level, from starting of the salesmen, going through all procurement, all through factory management, distribution management. I mean accounting, human resources.

Why

the hell you want to go through such a risk?

And what did you tell them?

I told them very simple. I said, "If we want to be successful in the future, you have to change. You will not be successful in the future if you're doing what you have been doing in the past." But this fear, this enormous fear - which by the way, is not only internal, because frankly speaking, during at least four or five years, we had the discount on our share price because of GLOBE. And you have to accept that. Because the analysts, if you look back

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into the reports who wrote about it, considered this to be one of the biggest risks I took for this company. They were afraid of business interruption. They were thinking that this company will be out of business for months and this would have an enormous impact.

So it is the success to come in the past which is the biggest obstacle, really, to do a change.

And you can't let it get ...

If you're in a crisis, I wouldn't have even thought about it so easy. If in a crisis, it's easy. If you are successful ... this is the biggest hurdle for really profound change.

That's fascinating. Let's talk a little bit about results. You said, Chris, that it's been embraced in about 80% of the business units. What are you seeing? How is it transforming the business? And I'll start with you, Peter, what's your perspective on that?

Well, I must say I'm extremely happy, because as I said, as it is... And that's very good for Chris.

Well, as a matter of fact, you see I'm so happy that I've already promoted him into the next job ...

... (overlapping comments)

... in his operation, so I think this is certainly the best promotion that I can give him is recognition for what he has been doing in this project, so very clearly. I'm very happy because first of all with 80% of this company running on GLOBE now and

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having two successive years of outstanding organic growth - I mean we were 6% last year, we were 6% more or less this year, this is really - I mean the combination of both show that GLOBE really works. And what has been a certain, I would say, discount on our share price, is going now, transforming itself into a premium ...

So the market is starting to understand ...

The market starts to believe. And I think this is really transforming itself into share value and therefore, the increase in the share price. That, of course, makes me very happy. But there is something which is much more important. The organization is proud now. The organization has learned that they can manage such a big challenge and I think this will put them on a different level for any new change that will come. I think that's extremely important for the organization.

That makes sense. And Chris, what are you seeing as a result?

Well, when we look at, let's say business benefits, we don't track - and it was a conscious decision, I think the right decision - that we wouldn't track GLOBE benefits separately. We have some group initiatives where we track efficiencies in white-collar productivity, blue-collar productivity, and so on. But what we're seeing is anecdotes and reports from the markets where GLOBE is enabling benefits in the area of best practices, whether either with or without the system. We're getting good reports in decision support, using the data and the information and systems within

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GLOBE to make better business decisions, and also, using GLOBE now to help us transform our organization. As Peter was mentioning earlier into the concept of the supply ship and agile fleet, with respect to the supply ship, GLOBE is the platform that we're using to develop shared services across the Nestlé group, and we're rolling these out now worldwide and these are running on the GLOBE platform. And now while you can do shared services without a common processes, data, and systems, you really lose out a lot on efficiencies and so on. And so this is really the perfect platform to go on.

One of the things that you have both been clear about is that you didn't want people to view GLOBE as a one-time project. That really, this was about a commitment to continuous change. How do you make sure that that happens, that people don't think, "Well, GLOBE is over. We did it. What do we do next?" How do you keep that idea of continuous change in the minds of people?

Well, as I told you before, I mean one of the things I'm happy about is that the people have learned now, and that they started to believe themselves, that they're able to continuously change, which is a change of mind and attitude, which is important. Now we know very well that the first phase of GLOBE was best practice in and within Nestlé. The next step has to be best practice at the industry level. So we have immediately a new target in front of us and I think the organization understand that this is now more

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easier to understand. When you say, "Look, we are now best in class within Nestlé, next step is now, we want to be best in class within the [industry]." We have to simplify, I think, which is obvious when you have such a big project, perhaps we went a little bit too far in all the details. I think our company can run on a little bit simplified and we have already started to do some simplified version of GLOBE for countries like Kenya or smaller countries and things like this. So that's the other one. And the last one is that change will always be with us and what is best practice today will never be best practice tomorrow. So I think just by constantly challenging the company and putting the objective target a little bit further forward, I think it will keep GLOBE alive in spirit.

It makes sense. Chris, any thoughts on that?

Yeah, no I agree. I think we have the platform that's in place now and it's a great platform to allow us to do that continuous improvement, and continuous improvement is one of the tenets of our company.

So we want to take some questions from - these questions actually came from audience members. Interestingly, Peter, you just touched on one of them when - the question is around, how do you make the GLOBE program practical, feasible, in areas, such as you mentioned, maybe in Africa or other parts of the world, that might not be as ready for this kind of change?

Well, one of the most interesting experiences we had was - we had

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one of the first volunteers was Pakistan. And we were thinking, I mean Pakistan, we had some pilot markets, one in every region. But suddenly Pakistan came up and "We want to be ..." and we were really surprised. Well, it turned out that Pakistan was the one that, I would say, most efficiently and the shortest period, introduced GLOBE, and helped us, really - first of all, even us, to improve GLOBE already there, and secondly, then afterwards, well, of course, we had the motivation for many, many other countries of the world.

To what do you attribute that?

Well, I think a big part of it is that for these, particularly smaller countries, let's say, and Pakistan is a great example and we have others, that for them, what they saw in GLOBE was like gold. I mean the best practices were fantastic, the systems were something they could never really afford on their own, and for them, then, this is something that is a tremendous advantage. It's been harder for us, quite honestly, in some of the bigger countries which you spend ...

More entrenched system.

Exactly, more entrenched system, very customized systems over time to get them to change, although they all have. But I think that's a big advantage. And also, another thing that we saw in Pakistan, which I think personally is one of the most rewarding, there was a lot of concern whether we'd be able to train some of the workforce in some of these smaller countries, many of them illiterate, many

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of them never using a computer before, where the training began that this is a mouse. And for the people also it was quite intimidating. For many of these people they were quite nervous to see GLOBE come in. There was a certain resistance, but when that's said and done, I think, we have our biggest supporters in these countries, where people feel that their lives, their jobs have become more responsible, they've learned new skills and I just - it makes me feel great to go to these countries and talk to the warehouse operators, the factory floor line workers and ...

So to some extent, did some of those regions see it as a way to leapfrog and catch up with ...

Absolutely

... their sister organizations?

Yes, they feel they go really to the most advanced of technology and processes that there is.

In one step.

In one step. From a completely ... and I think if you would see like Chris was saying, if you would see the pride of those people - I mean if they take you through a warehouse today, they show you how they manage information technology, certainly in a better way than I can manage it. It's fantastic, and proud they are. And I think this has been enormous motivating for many other countries.

It's a great catalyst.

We are doing Kenya today and I think countries like the Middle East, frankly speaking, don't consider them to be too difficult to

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do it as well.

But we do have also an alternative system, as Peter had mentioned. In Kenya we do have a lighter version, smaller system, particularly in those markets where the telecommunications is not reliable or it's too expensive, because we deliver the systems over a network. But in most cases, really, we're talking about 90% plus of the world, they're implementing the GLOBE processes, data, and systems.

That makes sense. We have time for one more quick question and I wanted to ask about the idea of competitive advantage. It's sort of a fabled idea in the IT industry that what you do with technology can give your company this distinct advantage over competitors. Do you believe - and I know GLOBE is not purely an IT project - but do you believe GLOBE provides that kind of competitive advantage?

I'm absolutely convinced that GLOBE has catapulted us in a five-year competitive advantage to most of the fast-moving consumer-good companies. Because up to now there was one, only one paradigm in our industry, and this is focus will give you operational efficiency. With GLOBE, we have been able to combine complexity, which is absolutely necessary in our industry where there are only local consumers, therefore, very complex offering, with operational efficiency. So I think this is the most important competitive weapon that we have established in the last years.

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Chris?

Definitely, I agree with him.

Great. Well, we are out of time. I want to thank our guests today, Peter Brabeck, CEO, Chris, executive vice president. Thank you for joining us. I hope you'll join us again on January 18th when Change Artists goes live from Johnson & Johnson headquarters, where we'll be talking to Bill Weldon, the CEO, as well as Laverne Council, the CIO. Thank you for joining us. For Change Artists, I'm John Gallant.