



## Overcoming the Global/Local Challenge

### How Consumer Goods Companies Are Organizing to Compete

The consumer goods sector today is a world of extremes. While a few global brands dominate in some sectors, the collapse of classic barriers to entry — the cost to advertise a new brand, for example — and “hyperfragmentation” of customers and channels have created openings for emerging local brands to capture a growing piece of the market share.

To thrive in this environment, multinational companies have to play — and win — both locally and globally. But their sheer size and complexity can be a significant disadvantage when success requires speed and innovation. Processes meant to maximize efficiency and returns can slow decision-making and increase time to market, and create distance between the company and the consumer.

“When you grow, you start operating in a way that is more standardized and scaled at a global level, which is important to maximize efficiency and returns on your investment,” said Jorge Mesquita, executive vice president and worldwide chairman of Johnson & Johnson Consumer Companies. “But, in the process, you lose consumer intimacy, you lose customer focus and you lose speed, because the processes through which you deliver a global program can just slow everything down.”

How are organizations solving the global/local challenge? Through conversations with CEOs and other senior executives of leading consumer goods companies around the world, we explore how organizations are uncovering and harnessing the best ideas, wherever they come, and positioning themselves to innovate fast and drive scale.

## DEVELOPING A GLOBAL/LOCAL STRATEGY

In addition to a clear and consistent view of its consumer — someone who needs energy — Red Bull's brand success can be attributed to its streamlined organizational structure, which has helped the company stay agile, according to Georg Storandt, the company's head of global sales. "We have the luxury of still being a small organization with very little hierarchy. So if you are a marketing manager in Bangalore in the south of India, it may be just three levels to the GM, so you can go very far if your idea is good," he said. "We try very hard not to become a big organization."

Companies like Unilever and Johnson & Johnson are working to replicate the advantages of smaller size with organizational changes designed to speed decision-making and reduce the response time to changing market demands. Unilever, for example, has evolved its organizational model to improve decision clarity between local markets and the corporate center, and to move more quickly at the local level. Called "Connected for Growth," the initiative formalized category country teams and global brand communities.

"We made those organizational changes specifically to try to be more in touch with local consumers and faster in responding to local needs in a context where the local players are winning," said Alan Jope, president of global personal care for Unilever. The initiative also earmarks specific resources for innovation and communication at the local level, rather than all innovation being driven from centralized global teams. "We have to accept a more complex portfolio in the future," said Jope.

Similarly, Johnson & Johnson has launched a comprehensive program dubbed "Easier to Win," which aims to improve how decisions get made and address issues such as the flow of information, the structure and organization of teams, and reward and incentive systems. The goal is to tap the power of the company's global scale, while moving faster and more nimbly like a local player, according to Mesquita. "What we're working to do is to put in place a structure and a choreography of engagement and reward systems so that we get the best of both worlds: still drive fewer, bigger things that go everywhere, but at the same time, develop those ideas in dispersed lead markets."

Another approach is to leverage hubs of specialized expertise within target markets, where ideas can be developed and then shared elsewhere, rather than building formal corporate functions to drive innovation in those areas. "As we enter new markets, we have seen a transfer of trends happening more quickly than ever before. West Coast ideas adopted in New York are in London within a year. So, speed and flexibility to meet local needs are our competitive advantage," said Douglas Lamont, CEO of Innocent Drinks, which is now owned by Coca-Cola but operates as a stand-alone business. "The markets are now driving innovation by category. Germany is driving smoothie innovation, France is driving juices, the U.K. is driving coconut water — so different need states are driving growth in each market. Innovations only work if you have a lead-market approach and your central teams are set up to deliver for multiple markets in parallel."

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**DOUGLAS LAMONT**  
CEO OF INNOCENT DRINKS

*“From Brazil, Argentina, Uruguay and Colombia, there are many areas that are leveraged effectively from one country to the next. We have a chief international officer (CIO), who follows up on ideas and projects from each business, while we let each local business govern itself.”*

**CARLOS MARIO GIRALDO**  
CEO OF GRUPO EXITO

Nomad Foods is taking the same approach for driving innovation in digital. It is leveraging the digital expertise of its U.K. operations, which are ahead of other markets in digital sales. “What we’re trying to do, instead of going through the center, is to make sure that the other countries are using what they can from what the U.K. is currently doing,” said CEO Stefan Descheemaeker.

Grupo Exito leverages synergies from commercial retail practices that are tailored to the local markets, including white labels, rapid logistics and even real estate know-how. “From Brazil, Argentina, Uruguay and Colombia, there are many areas that are leveraged effectively from one country to the next. We have a chief international officer (CIO), who is in charge of integration and follows up on ideas and projects from each business, while we let each local business govern itself. We reinforce accountability, KPIs and best-practice sharing via monthly meetings led by our CIO,” said Grupo Exito CEO Carlos Mario Giraldo.

Companies also are using targeted acquisitions to inject innovative ideas and processes into the larger organization. Unilever’s acquisition of Dollar Shave Club not only provided a platform in the fast-growing male grooming market and a brand strong with millennials, it provided insight into how to successfully operate a direct-to-consumer e-commerce business. “We’ve busted a number of myths about the necessary conditions for an e-commerce model to work,” Jope said. “We will apply the learnings on successful direct-to-consumer business models from Dollar Shave Club to the rest of our business.”

Digital technologies can accelerate these efforts. Digital and social media enable people throughout the organization to collaborate more efficiently and to share new concepts beyond country borders. Also, they enable organizations to bring together the best people for each project, wherever they are. This also unleashes greater capacity for activities that would not otherwise be available in a single country, but can be shared across markets.

For Avon, digital is one more arena where it is important to understand the needs of local markets and strike the right balance between global and local initiatives, according to CEO Sheri McCoy. On one hand, the internet and social media are valuable platforms for reaching consumers with global messages about the company’s mission and brand. On the other, the digital experience must be tailored to the needs of the local market — the ability to do commercial transactions digitally, for example, varies greatly by country. So while the company is improving its ability to find and leverage the best ideas globally, it is careful to maintain the entrepreneurial spirit and local connection to the brand that is so central to the culture. “There’s is a very entrepreneurial spirit here. Representatives in Brazil think Avon is Brazilian, and the women they sell to see a Brazilian woman selling to them. The same is true in Russia and in America,” said McCoy. “We never want to lose that uniqueness or the innovation and flexibility in the local markets.”

## REDEFINING LEADERSHIP, CULTURE AND ORGANIZATION

What are the leadership, cultural and organizational imperatives of this global/local competitive landscape? How can consumer goods companies improve their ability to uncover and harness the best local ideas and compete effectively both globally and locally? Companies able to win globally and locally will do the following.

### Build agile, culturally aware leadership teams

A new leadership profile is emerging for consumer goods companies, one that emphasizes broad business and functional experience, agile thinking and cultural sensitivity.

- » **Ability to connect the dots.** For innovation to emerge from anywhere around the world, companies need executives across the organization to think more entrepreneurially and in a more networked way than ever before. Regardless of functional role, leaders need to think and work more like general managers. “The core skill for our leaders is that they need to be ‘connectors,’ to see fragments of ideas from inside and outside the company and bring them together into new product ideas or ways of doing things,” said Innocent Drinks’ Lamont. “If they are not able to join the dots and then inspire the business to bring them to life, they cannot make things happen in our culture.”
- » **Ambidextrous and culturally agile.** At Red Bull, these soft skills are referred to as “open mind and bright eyes,” said Storandt. “These are people who are very open to global or regional initiatives and who have been exposed to more than one market. They take pride in sharing what their organizations are doing, but also take pride in borrowing the best ideas from elsewhere.” Nomad Foods looks for leaders with the ability to maneuver between global and local, depending on the needs of the consumer: sometimes, needs are local and, sometimes, needs are global. Unilever’s Jope agrees about the importance of cultural agility: “We need people who have the

cultural sensitivity and ability to pick up on cultural nuances, and there’s no substitute for multi-country work and life experience in achieving that. It is a life-changing event to live and work in another country that is culturally very different from your home country because it just opens your eyes to different ways of doing things.”

### Create a culture that encourages idea sharing and breaks down “NIH” mentality

A challenge for many companies trying to find and broadly leverage great local ideas is overcoming the “not invented here” syndrome that keeps people from sharing what they’ve learned or using good ideas from elsewhere in the organization. To break down barriers at Avon, McCoy regularly brings together a management committee representing the company’s top 10 markets to share best practices; a similar council of sales leaders regularly exchanges their most successful commercial practices. To further encourage idea-sharing when she arrived, McCoy tapped into the company’s natural entrepreneurial mindset by changing the criteria for one of the company’s most prestigious market awards to underscore the importance of sharing best practices and winning local ideas. “To win, you have to have shown that you’ve given a great idea to another market, and you have to copy, with pride, an idea from another market. And if you don’t do that, no matter how good your results are, you’re not going to win,” she said.

Grupo Exito has created a culture that emphasizes teamwork, results, customer centricity and innovation above all, and this culture encourages leaders to borrow the best ideas wherever they are from, including new acquisitions. “When we acquire other brands and teams, we evaluate their mission, client base and corporate DNA,” said Giraldo. “We are proud to have adopted the mission from one of our acquisitions since it better communicated what we want to accomplish with our clients and teams. The reality is that we always learn and find new ideas from each acquisition.”

## Establish a structure that streamlines decision-making and brings voices from local markets

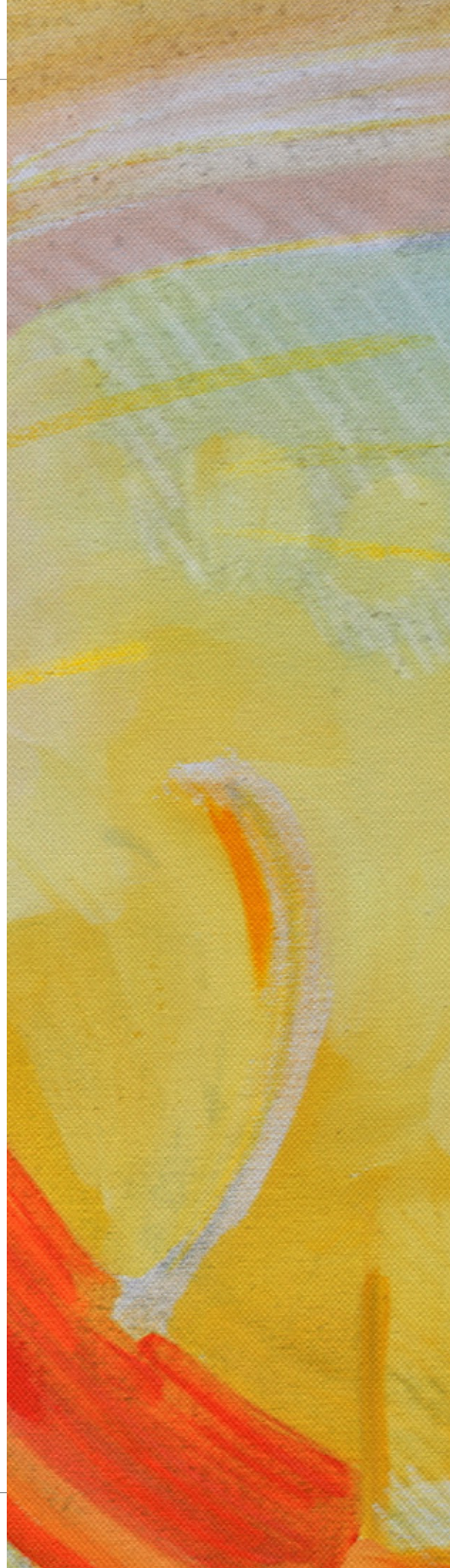
Consumer companies that win will move to organizational models that enable them to increase consumer intimacy and the speed of decision-making. One model is to identify trend-leading markets to drive innovation in specific categories and co-locate multi-discipline teams that are focused and empowered to develop winning products and marketing initiatives that can be leveraged in other markets. The idea, said J&J's Mesquita, "is to continue to design with intimacy, but at the same time, move with speed and be able to drive global scale." Another approach is to ensure that global teams better represent local markets. A decade ago, corporate functional teams at Red Bull — such as marketing and sales — were staffed almost exclusively by Europeans. As the company expanded, it has moved to bring more local-market experts into corporate teams.

## Increase investment in local-market talent and training

As global companies organized to leverage their scale, they built up capabilities in regional or global hubs. But to improve their ability to compete locally and leverage the best ideas from around the world, companies need to have strong business leadership and functional capabilities at the local level. This means hiring local leaders with the capacity to grow into regional and global roles, and providing ongoing training to local teams. "It's really important as you staff your operations around the world that you assign leaders to local markets that have global potential," said Mesquita. "So don't hire Indonesians just for Indonesia, but hire Indonesians who could someday take on bigger roles. And make sure they have an ability to operate in both global marketing and strategic planning jobs as well as local marketing organizations. This kind of versatility and potential to transcend boundaries is something that we're looking for."

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Winning in the consumer goods sector today requires organizations to mine the best ideas from anywhere in the world and efficiently leverage those ideas at global scale. For many businesses, this will require them to rethink organizational models, evolve the culture and cultivate different leadership capabilities and mindsets. The companies that thrive going forward will attract and develop agile, culturally fluent leaders; improve their ability to share ideas across markets; streamline decision-making; and invest in the development of local leaders with the capacity to grow into regional and global roles.



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