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Best of
Helmut Maucher's
Speeches, Essays
and Interviews

Helmut Maucher | Fredmund Malik
Farsam Farschtschian

MAUCHER *and* MALIK *on* MANAGEMENT



Maucher and Malik on
Management

Maucher | Malik | Farschtschian

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Maxims of Corporate Management –
Best of Maucher's Speeches, Essays and Interviews

Translated from German by Myrna Lesniak

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Preface by Farsam Farschtschian



This book is about one of the greatest success stories in the history of corporate management and about one of the most accomplished business leaders ever.

Dr. Helmut Maucher is one of those very rare top managers who have an exceptional and equal command of three things: acting, reflecting and writing.

The quality of Maucher's entrepreneurial action is apparent in his successful and exemplary management of Nestlé over two decades. Moreover, his reflections on management are highly sophisticated and he applies his considerable intellect to an analysis of his actions. Finally, as the book shows, Helmut Maucher is also a master at expressing his thoughts and actions both orally and in writing. These three dimensions unite to form a harmonious entity.

Based on Dr Helmut Maucher's speeches, publications and interviews the work is a unique testimony to the outstanding entrepreneurial results which can be achieved by good and right management. The contributions for this book were written with a number of aims and contexts in mind, at different points in time from 1988 to 2010 and for a public that included leading international business executives, politicians, employees, students and also grammar school teachers – a cross section of society.

In Maucher's publications a certain number of repetitions with respect to the various topics have been retained in order to lend greater emphasis to the major points he makes. However, because of the change in contexts similar formulations, too, acquire a new meaning and highlight the extensive range of his statements. Only then is it possible to appreciate how comprehensive Maucher's knowledge and practice of management are – through time, space and purpose. Each situation may be entirely different but the message he wishes to impart could not be more to the point.

This book is a first-class work presenting guidelines for new generations of managers. Helmut Maucher's style and methods of management are annotated in a comprehensive introduction by Prof. Dr. Fredmund Malik, who Peter Drucker, the doyen of management, considers to be one of the leading management thinkers in Europe. Malik regards Maucher's life-time achievement in the light of his own system-cybernetic work on good and right management. At the same time he particularly emphasizes those dimensions that are universally valid in Maucher's management performance and that will consequently last well into the future.

The book is complemented and rounded off by both experts exchanging opinions on the core issues of management, business and society in a comprehensive dialogue lasting several hours. Maucher's own aphorisms form the conclusion to this work, which gets to the heart of the most complex topics in a succinct and elegant way that makes them easily comprehensible.

I have held numerous conversations with Maucher and Malik in the course of the last few years and these enabled me to become familiar with the views of both these management masterminds and to follow their development closely. Although their views are expressed and reached in different ways, they arrive at the same or very similar points of view in many key areas. However, in areas where they place emphasis on different aspects, they reach new common solutions. These find brilliant expression in the section containing the extensive dialogue which took place especially for this book.

Where Maucher is too modest to praise himself, it takes Malik with his management expertise to provide the correct context for Maucher's unique management accomplishments. Malik attaches the appropriate importance to the achievements of a person of Helmut Maucher's standing and demonstrates the significance that Maucher's management has for meeting the enormous challenges of the economy and society both today and in the future.

Malik himself predicted the current economic crises and the fact that these were caused substantially by mismanagement. He recognized very early on

that the major driving forces behind these crises were the Anglo-Saxon approach of corporate governance and shareholder values. He felt that on account of their short-term orientation these would lead inevitably to one of the greatest misallocations of economic and social resources in history. Showing keen foresight and on the basis of his knowledge, Malik has developed the solutions essential for responding to the current challenges in his holistic management models and his innovative change management tools. It is in this context that Malik shows the immense significance of Maucher's management for current and future generations of business leaders.

This book is one of the most outstanding works on management and portrays the quintessence of unparalleled entrepreneurial success due to right and excellent management. With its unique picture of the lifetime accomplishments of Helmut Maucher, who celebrated his 85th birthday last year, it is for entrepreneurs, managers and politicians and is intended to act as a »lighthouse for sailors in times of storm« by providing reliable navigation for mastering the fundamental worldwide transformation. Moreover, in times when managers and management are greatly misunderstood, this book – using Helmut Maucher's achievements at Nestlé as an example – is intended to provide a wide range of readers with a new understanding of the social importance of large-scale enterprises, right management and socially responsible leadership.

Farsam Farschtschian

Part 1

Introduction by Fredmund Malik



Good Management – Good Food, Good Life

Global company Nestlé and the name of Helmut Maucher are inextricably linked together. Within only two decades Helmut Maucher, with breath-taking dynamism, made Nestlé into the largest and greatest food company in the world and at the same time into one of the few truly global corporations.

Under Maucher's management Nestlé's sales tripled and in fact it would have risen even more but for negative currency effects. The stock market price, ex dividend, increased more than 15 times compared to when Maucher took over. He developed promising new product lines which proved to be successful, acquired and successfully integrated a total of 250 companies, effected some of the largest acquisitions ever and opened up a great number of new markets all around the globe. Even more significant is the fact that not only was Maucher highly successful in managing this huge expansion but that in doing so – as is generally acknowledged – he did not make any mistakes.

All this was made possible by the exemplary management which Helmut Maucher established at Nestlé. *Good Food, Good Life* is the company's motto and Maucher's *Good Management* made Nestlé what it is today.

Today, management continues to be misunderstood what frequently has dangerous results. For example, it is often primarily seen as a means of becoming rich, famous and powerful. Then there is the misunderstanding that companies are first and foremost machines for maximizing profits. Indeed, companies can always be abused if one is so inclined, but in that case management and the economy cannot be seen as responsible and sustainable.

I regard management in the following way: management is the profession for ensuring proper functioning. So, it is management that enables social organizations to function or fails to do so and therefore, management is one of the key functions of modern society. Managers are the very people who

practice management as seen in this way – as a profession at the various levels of the organization.

Consequently, almost entirely everything that is most precious to us as members of modern societies and that makes life in them also worth living – from economic prosperity to a high level of education and from health, science and research, and the strength of innovation and creativity and finally to the quality of life – depends on the competence and quality of management.

Thus management is the social function that enables everything else to function. It is also the function that transforms economic and social resources into results and value for society.

In order to achieve this, management has to be carried out in the right way and it has to be done well. It has to be right and good management. Much of what is termed management up and down the country fails, to a large degree, to meet both these requirements or complies very badly with them. The prevalent understanding of management is a minefield of errors and false doctrines. That was why the crises which threaten our affluence today were able to arise, crises which were and are largely due to wrong and bad management.

Consequently, with Nestlé and Helmut Maucher's unique management performance as examples, this book is intended to show what right and good, and even excellent management is in practice and what this can achieve. It was for that very reason that I recommended that Helmut Maucher should publish his speeches and writings as a collection, should place them in the context of the significant challenges facing us today and in the future, and thus provide present and future generations of managers with a universally valid navigation aid.

The book presents Helmut Maucher's management philosophy and management practice in his original texts, placed, within the framework of this introduction, in the context of my own management theory. It illustrates why Maucher's management is right and why this enabled him in his position as Nestlé's CEO to be so successful for so many years.

Helmut Maucher's management performance, which is exceptional in many respects, is to become apparent to readers far beyond those with only an immediate interest in this subject matter. Moreover, the book is to demonstrate what it was about his person in the many decades of his career right to the highest position in Nestlé that distinguished him from other top managers.

Maucher's approach not only stands for an extraordinary management performance in the past but – which for today is more important – as a template for a new future of socially responsible, right and good manage-

ment. This is of the utmost importance because the economy and society are in the midst of one of the greatest transformations there has ever been. For some time I have been calling this the »Great Transformation 21«, which means the global change of the 21st century. In a sense it is comparable with the change from an agricultural to an industrial society about 200 years ago but it is much larger and more profound due to its staggering proportions.

It is no exaggeration if this transformation is seen as the transition to a new world parts of which can already be seen quite clearly whereas others are still unknown and where much will be radically new and revolutionary. The current crises can be understood far better, above and beyond mere economy, as the birth pangs of this new world. The »Great Transformation 21« is already confronting the structures of every society, and first and foremost their organizations and their management with enormous challenges.

At this time, over and above revolutionary technologies, right management, as can be seen so clearly in Maucher's success at Nestlé, will be the key to a peaceful, organic and human change. The power of right management today is founded and manifoldly reinforced by innovative change management tools and completely new methods for mastering enormously complex and dynamic challenges.

This book affords a unique insight into the thoughts and work of one of the most successful business leaders ever. It shows how with his management, governance and leadership Maucher transformed Nestlé, which at that time lagged considerably behind its competitors, into the largest and most successful food company in the world within a period of only two decades. Moreover, he also saw to it that the company remained successful and dynamic after he stepped down from office upon reaching retirement age and that it was able to build considerably on his success.

Helmut Maucher became the Delegate (CEO) of the Board of Directors in 1981 when he assumed overall management of Nestlé. This was the first time that a non-Swiss national became head of the largest company in Switzerland; in many respects this was a novelty, the full significance of which can only be assessed by those with a profound knowledge of Switzerland. In 1981, Nestlé generated a turnover of around CHF 28 billion, made a net profit of just under CHF 1 billion and had 146,000 employees. As of 1990, Maucher was both Delegate and Chairman of the Board of Directors until 1997. Peter Brabeck-Lethmate with an excellent team of top managers succeeded him as Delegate in 1997. Helmut Maucher continued in his position as Chairman of

the Board of Directors until 2000, when he was succeeded by Rainer E. Gut, a long-standing member and Vice-Chairman of the Nestlé Board. Helmut Maucher has been Honorary Chairman since then.

When Helmut Maucher stepped down from his position of Chairman at the annual general meeting in 2000, turnover for the business year 1999 amounted to almost CHF 75 billion; net profit was almost CHF 5 billion and the company had a good 230,000 employees.

Maucher's successors took over the helm with great vigor and continued the success of the company without any further ado. In the business year 2011, Nestlé generated a turnover of around CHF 84 billion, a net profit of almost CHF 10 billion and had 328,000 employees. The company has around 500 factories in more than 80 countries and with almost 100 international brands is present in almost every country in the world.

We may also ascribe some of this continuing success to Helmut Maucher himself on two counts: firstly, some of the conditions necessary for the lasting business success were created early in the period when he was running the company; in particular these included the strategic expansion of the product portfolio and of the company's presence geographically. Unlike those managers who aim primarily at maximizing the annual results, Maucher possessed the rare courage of rejecting the reporting of short-term results in order to make the company all the stronger in the long term. Maucher's guiding principle for this was notion of the »healthy company«, which goes beyond short-term or even mere financial results.

Secondly he had successors, especially the new CEO, Peter Brabeck-Lethmate, and his former long-standing members of staff and pupils, who, for many years, had been effectively prepared under his direction to succeed him. As a result they even acquired the ability to surpass their predecessor when changed circumstances and opportunities made this necessary. One of the noblest achievements of successful leadership is having pupils who become even better than their master.

Secrets in Helmut Maucher's management

It can be ascertained that there are no secrets in Maucher's management in the strict sense of the word, for he has been open and generous when talking about his views, principles and actions, as is obvious in the speeches and publications contained in this book. However, there are also many issues

with which most managers are unfamiliar because they never cropped up in this way in their own education. The main reason is that in conventional business schools since the beginning of the 1990s different and often entirely wrong contents were taught as the ultimate truth, which frequently the exact opposite of Helmut Maucher's management principles.

In this respect we are faced to a large degree with the huge challenge of re-learning and reorientation. Consequently by looking more closely at Maucher's achievements this book provides an invaluable guide and shows a way out of the labyrinth of misapprehensions about right management. I have chosen some of the key aspects of Helmut Maucher's concept of management for what is to follow because I consider these to be particularly crucial to coping with the future.

Amongst other things it is easily recognizable how early – and also impressively – Helmut Maucher's mindset corresponded to what I call integrated cybernetics and systems thinking. It is a holistic way of thinking in terms of multidimensional relationships which goes beyond the individual corporate divisions and their respective specialty and combines them to a functioning whole.

It will become evident that it is quite normal and natural for Maucher to see things in their entirety and in their interaction, in their cross-linking inwardly and outwardly, and thus to recognize their inherent complexity and dynamism. This ability is one of his outstanding strengths, an ability which many top-executives do not possess.

Multiplying top management intelligence

Early in my management research I discovered the meaning of both cybernetic control intelligence in terms of self-regulation and its practical realization through principles which I term *Master Controls*.

The function of these *Master Controls* is comparable to laws of nature such as the genetic code in biology, laws relating to harmony in music, or the principles of bionics. From these, among other things, I derived the controls with the objectives of right management in mind and this resulted in natural laws of functioning, about which I have written frequently so that top management can exploit their power.

Helmut Maucher, like few others, has at his command the consummate skill of using this kind of cybernetic control intelligence. What does that mean?

Maucher is a man of principles and of thinking long-term and on a large

scale. Long before the rather vague concept of »sustainability« appeared in reaction to the prevailing short-term orientation, Maucher took the lead with clear, well thought-out principles – which applied both to himself and the entire corporation. Helmut Maucher is one of the few master craftsmen in this respect.

It was for Nestlé that he devised those timeless principles that go far beyond mere long-term orientation which has long ceased to suffice in view of today's complex conditions. Thus he provided the corporation and its employees with orientation and direction which reached right to the very foundations of the organization and enabled them to act independently, according to Maucher's own governance intelligence.

If, for example, companies do not grow sufficiently, even though their markets provide them with ample growth potential, then the reason is usually that the executives have not learned to manage on the basis of precepts, principles and policies with the result that they limit the growth of their companies prematurely and unnecessarily.

Master Controls understood in this way allow the managerial intelligence of those at the highest corporate level to be multiplied by the number of all the executives who apply the Master Controls within the organization. By this method, they spread the intelligence at the top to the outermost boundaries within the scope of the organization and make them effective in their operations. As a precautionary measure the most intelligent *Master Controls* also include rules for deviating from the rules if necessary. For example, for accepting sound compromises; moreover they even include rules for altering rules.

Only such precepts or general rules of this kind permit decentralization to function reliably within a company and thus achieve far-reaching cybernetic self-regulation and self-organization that in turn are indispensable competencies in complex and dynamic conditions.

More than merely long-term

The concept »long-term«, however, is far from sufficient to achieve this enormous effectiveness. It is in this respect that Helmut Maucher has achieved something much more important. He brought the corporate analogue of the Categorical Imperative propounded by Immanuel Kant, the great philosopher of ethics, to bear globally because he assessed his decisions against the key question: *How must I decide at present so that in principle my action may be correct for an unlimited period?* That means in practical terms that a decision

remains correct until there are signs of basically changing circumstances which necessitate a rethinking of policies and strategies and under certain circumstances also demand new decisions.

In Kant's version the Imperative states: *Act as if the maxim of your action should – by your will – become a universal law of nature.*

In the context of corporate management that means »the law of the corporation« instead of the »law of nature«. That is precisely the effect of right policies.

30 years before ethics have become a general management fad due, among other things, to the excessive manager bonuses and there are attempts everywhere to artificially superimpose ethics in retrospect, Maucher succeeded in smoothly integrating the right ethics into the activities of the corporation and in blending both of them to form an organically harmonious whole.

Immune to fashions through better governance logic

Thus another of Maucher's »secrets« is uncovered. Due to the fact that he also made use of the powerful impact of such principle, Maucher had a great advantage over other top executives in that he was immune to the ever-changing fads and fashions in management and to the financial temptations from the zeitgeist – which during the economic boom was more of a demon of the times. It was this very Zeitgeist, however, which during his entire regime demanded, in almost every aspect, the opposite of what he in his position as CEO considered right. He defied these temptations, especially with regards to the most crucial issues, with great success, discipline and responsibility, as I will show later.

It is natural for Maucher to think in terms of great future dimensions. For this, however, he rarely uses the word »vision« because he wasn't deceived by the euphoric stock market- born hypes of his time.

His broad view again becomes apparent in his comprehensive understanding of holistic, economic, social and political interdependent contexts – and particularly of the responsibility which a corporation has towards the whole of society. As a result, his corporate policy and strategy decisions are far-reaching because he sees them holistically and consequently he is able to take the total dimensions of a challenge into account.

On the other hand, this was entirely contrary to the neo-liberal doctrine of shareholder value, which occasionally Maucher ironically referred to as share-fetishism. To see corporations primarily as machines for generating

profits did not correspond to Maucher's understanding of a functioning company, for he regarded the functioning of a company strictly in terms of the market and the customer.

Thus he was able to keep firmly in view two of the cast-iron benchmarks that enable right corporate governance in the first place. Reasons for these can be found in my books where I dub them the »polar stars« of management navigation. They are the twins »customer value« and »competitiveness«, the only benchmarks in the economy which cannot be manipulated. In contrast, »shareholder value« and »enhancement of value« correspond to the ever-changing »position of the planets« metaphorically speaking. They are subject to the vagaries of the stock market and, to a large extent, to the lack of understanding of management logic in real economic terms. For that reason they are easy to manipulate, as has been proved in the scandals surrounding Enron, WorldCom and many others.

Right management based on the »polar stars« of customer value and competitiveness aims first of all at creating economic performance and only after this has been achieved does it aim at its distribution – which then naturally includes the shareholders. It was precisely because Maucher understood managing in this way that Nestlé generated even larger profits under his regime and created more shareholder value than those CEOs who all too frequently submit obsequiously and immediately to the dictates of shareholder value and its apostles.

On the basis of these precepts, Maucher, as can be seen later, practiced an exemplary and effectively functioning corporate governance, which was far ahead of and superior to the Corporate Governance Codes that were pompously emerging at that time.

Profound expert knowledge of his business

As the last of the »secrets« of Maucher's success I have singled out something which can hardly ever be found in books on management and which – because it is largely not understood – and is therefore frequently mistaken for gut feeling and intuition.

This secret is his exquisite, downright perfect expertise in Nestlé's business. Maucher knew Nestlé inside out. His vast knowledge was almost unparalleled. He had grown up in this business and had been actively involved in organizing many things down to the very last detail. Consequently, he knew everything there was to know about the numerous things that con-

stitute a business – products, markets, consumers, brands, marketing, advertising and packaging; raw materials, quality, prices and manufacturing processes; about trade, suppliers and banks; finance, risks, the stock market and shareholders; the media, local and international politics – and first and foremost he knew about people.

Intimate knowledge of the business is what it takes to make excellent management possible in the first place. However competent executives are, they cannot manage just any company without further ado, as is often assumed – let alone other types of organization. To put it another way: if you want to ride a horse properly, you have to know a lot about horses.

It goes without saying that the most successful executive in the steel industry should not be entrusted with the management of a bank and on the other hand even excellent bank executives are more likely to have difficulty understanding manufacturing companies.

It was the early insight into such facts that enabled me to incorporate precisely those elements of right and good management into my own management theory that are universally essential irrespective of the particular type of organization and also culture. It was then only a natural step to make management into a profession with its own craftsmanship and with its typically universal precepts, tasks and tools: into a profession that can be learned to a greater degree than most people believe nowadays or are able to imagine. After these results had been successfully expressed in easy to learn models for right management, it was possible to develop new forms of advanced management, leadership and governance education, forms that were often revolutionary in their effectiveness.

The better CEOs understand the business, the better they can utilize their management for the benefit of the customer and for competitive advantages. They understand things faster and better than others; they do not require detailed analyses, often grasp connections at a glance where others first need to study long reports, and for that reason are able – as it were shooting from the hip – to take right and good decisions at lightning speed and then act upon them. What laymen often and rashly think of as gut feeling and intuition has its origins more frequently in a thorough knowledge of the business.

If you have no professional management at your command, you quickly reach your limits, especially in complex businesses; and if you have no knowledge of the business, then your management will very quickly come to an end. Both are needed in a flexible balance, capable of changing quickly and unpredictably, according to the circumstances.

His immense expertise combined synergistically with his management

professionalism was the decisive reason for Helmut Maucher being such a powerful and in essentials such a brilliant CEO and, what is more, an entrepreneur in the best sense of the word.

Against the mainstream, and therefore more successful

It is crucial to this book that Helmut Maucher achieved his highly unusual business success in a way that is almost diametrically opposed to the concept of management that has prevailed from the early 1990s to the present day. The financial, debt and economic crises are making it more and more evident just how gigantic the misdirections of mainstream management were.

It was half way through Maucher's active service as CEO that a period began with an onslaught of the greatest ever errors and false doctrines in management theory and practice. From about 1992 on, the real economy and the financial economy began to drift apart, imperceptibly at first and then more intensively until they literally became two different worlds.

The indispensable parameters of entrepreneurial navigation were displaced by purely financial parameters based on short-term performance. Decisions were geared more and more towards movements of the stock market and evaluations by financial analysts instead of towards customer value and competitiveness. The opinions expressed by the finance media counted for more than the customers' decision to buy. Shareholder value became more important than technological innovation and real investments. Maximizing the return on equity capital had priority over healthy financing and liquidity reserves. Observing a socially acceptable approach to large reconstruction programs and heeding social responsibility were frequently and arrogantly dismissed as »romantic or crazy leftist ideas«.

Thus began the systematic misallocation of financial and social resources from the real economy to the financial system. Capital leveraged as much as 100-fold flowed into the financial markets, and there was a brain drain from corporations with factories to the Wall Street industries.

Therefore, Helmut Maucher's great success was created with precisely the style of management which was fundamentally contrary to that taught to generations of students at many universities and numerous business schools in particular. It is much of this business administration that is the direct cause of today's financial crisis, the rise in unemployment particularly among young people and increasing social tensions. The booster mechanisms of

the respective consulting industries including corporate governance consulting, strategy consultants, executive search and executive compensation and also the accounting firms, have exacerbated these errors a thousand times over and caused them to impact on the economy. So far the question of their responsibility has not even been addressed.

If, on the other hand, Maucher's management expertise had been widely applied, a financial, debt and social crisis like today's could never have arisen. On the contrary, we would have corporations that were healthy to their very core and therefore there would also be a healthy, strong, real economy and a financial economy, too. In this social situation – perhaps the most threatening since the 1920s – with its danger of a deflation that has still not been properly perceived, the example set by Helmut Maucher gives rise to great hope, for it goes beyond excellent management. It is in this dimension that Maucher stands for genuine leadership in the best sense of the word, a leadership which sets an example also for other areas of society.

For that reason, this book also has significance beyond business. It will help to clear up and eliminate many misconceptions about business activity and management which are entertained especially by those at the highest decision-making level in numerous public organizations, in politics and in the general public, too. Excessive bonuses, major bankruptcies, scandals involving banks and the stock markets and all the crises in the financial system would never have arisen if management had been carried out in the right way.

This book is also a convincing illustration that not all the business world corresponds to the many clichés in the media, but that there are companies which function superbly. These include such organizations as Nestlé, who not only know how to be successful in business but also fulfill their social and ecological responsibilities, where they even take the initiative in an exemplary way. Thus the wide divide between business and the people can be bridged and some of the gaps closed.

Encounters

At our very first meeting it struck me that Maucher essentially thought and acted differently to the majority of people and that his principles and guidelines were fundamentally more different than they had been generally represented. You obviously need to know what to look for if you want to see this

clearly; if you want to distinguish between right and wrong and between good and bad management.

Helmut Maucher and I have met very rarely and until the idea of this book was conceived we had only met three times. Our first meeting took place in the fall of 1998 when Helmut Maucher and myself had to deliver speeches at an event for invited guests, where one of the topics was shareholder value, a topic which was in vogue and very prevalent at the time. The first edition of my book *Die Richtige Corporate Governance* (The Right Corporate Governance) had appeared in the previous year. There I had stated that the shareholder value approach which originated in the USA was a misconception and was based on misunderstandings of right management and also misunderstandings of the American economy and its merely apparent strengths and successes; these were by no means the result of particularly exemplary management, which had been the general uncritical assumption at the time.

I showed that this approach meant that fundamental mistakes in management were going to be inevitable and, as already mentioned, would result in the huge misallocation both of economic and human resources. I had been addressing this topic in my publications for years and I had given numerous lectures and seminars on the subject and my experiences at the time are outlined in the above-mentioned book.

It was the time when the new-economy boom was heading towards its zenith; when most of the economic world was dancing round the »golden calf of the Internet«; and when the new perverse factor of success was the so-called »money burn rate«. Shareholder value, key financial figures and Anglo-Saxon management generally were considered to be the new truths for corporate management and had been accepted as such almost worldwide except mainly for the segment of family owned businesses in Europe.

In his presentation Helmut Maucher expressed himself among other things in words which were directed at myself *»I agree with you there. At present we are performing a huge balancing act at Nestlé on account of shareholder values. Tomorrow morning I will have to tell the financial world what they would like to hear and in the afternoon I have to see to it that we do the exact opposite in the company without the financial world being aware of the fact.«*

No one had ever expressed this so clearly and unequivocally. At that time, admittedly, few of the guests got the message, for at that point in time the majority of them were so fixated on shareholder value that it was hardly possible for them to think of alternatives. However, Maucher was one of the few CEOs who did not shy away from an argument with the financial world and often informed them in no uncertain terms of his diametrically opposite

points of view, as for example when it came to the price of acquisitions, about which he simply knew considerably more than young financial analysts.

Our second meeting took place in 2006, on the occasion of a dinner given by a major Southern German entrepreneur. Maucher and I were sitting opposite each other at the table and we got into conversation about the power of brands as well as brand strategies and marketing. I was surprised to note that Helmut Maucher, the architect of the world's largest food company, had addressed these issues in person and in very great detail during his active service with the company. In most cases CEOs leave such issues to their specialists and relevant agencies but that was not Helmut Maucher's way.

With a mischievous look he told me that his people had wanted to abolish the original corporate logo and replace it with something more up to date. Nestlé's logo is a small bird's nest in which a caring mother bird is feeding her three young. It is derived from the name of the company's founder, Henri Nestlé, who came originally from the Swabian area of Southern Germany where Nestle means »little nest«. Maucher energetically vetoed this intention, however, for this logo was a constitutional element in the identity of the corporation. Just because of the design, he was prepared to do without one of the three little birds so that the proportions of the logo would show to better advantage in small font sizes, too. What emerged in the course of this extremely interesting conversation was the considerable attention to detail and great expertise that Nestlé's CEO brought to bear on the key issues in the business, which is, as I have mentioned, one of the characteristics of his way of management.

The idea for this book was conceived at the third meeting when we were invited to dinner by Dr. Farsam Farschtschian, one of my doctoral candidates, to celebrate his PhD. It was I who had proposed the theme of his dissertation and had supervised it in conjunction with a colleague, Prof. Martin Hilb. The central figure of the dissertation is Helmut Maucher because the research project dealt with his impressively successful acquisitions and above all his exceedingly professional handling of the Board of Directors in that connection.

Dynamic and growth with successful acquisitions

The title of Farsam Farschtschian's doctoral thesis was: *The Secret of Successful Acquisitions – Abandoning the Myth of Board Influence* and it is one of the best dissertations I have ever received during my academic career.

It addressed the subject of why Nestlé was so enormously and sustainably successful with its long-standing acquisition strategy, whereas the then Swiss Airline »Swissair« failed so miserably in spite of applying the exact same strategy and finally went under. In particular Dr. Farschtschian considered which role the Board of Directors in each company had played in the events.

My reason for proposing this subject for the dissertation was the particular feature that this was a golden opportunity which made a comparison of the two companies unique because we had almost controlled laboratory conditions such as exist in science and technology. To a large extent both companies operated under the same conditions, were subject to the same legal system, were globally active, were exposed to the same *zeitgeist* and the same trends; their headquarters were in the same country and both of them had Boards which were studded with top-class high-ranking personalities.

The crucial difference was the quality of their management – it was Maucher's professionalism as Nestlé's CEO and his sovereign cooperation and interaction with the Board of Directors that made all the difference. We only need to remember once again that it is right management which gets things functioning.

In effecting acquisitions Maucher set an example by acting according to his strategic principle of »Be first, be daring, be different«. An acquisition is of all strategies the one that fails most frequently and in most cases most dramatically and for that reason experts consider it to be the most difficult of all strategies. However, Helmut Maucher met the challenges presented by acquisition strategy so brilliantly that there was never a single failure.

One of the reasons for this is the fact that Maucher himself not only had a command of acquisition management – something which others can also do if they have plenty of funds or huge credits – but he also had a brilliant command of the management required to integrate new companies into the complex brand and organization structure of Nestlé and above all to combine the corporate cultures, which in the case of most of his acquisitions could scarcely have been more different.

A fast-moving company

Nestlé is in the business of »*fast-moving consumer goods*«. Under Maucher's regime, Nestlé also became a »*fast-moving company*«.

One of the company's key success factors was in fact Maucher's daring acquisition strategy, which he pursued in the period between 1980 and 2000.

All in all, while he was in office, existing businesses were sold for CHF 9 billion and new ones were acquired worth CHF 40 billion – an amazing total of 250 companies, as has been already mentioned. That was about 13 companies a year – a tremendous challenge for Nestlé's management.

These included some of the largest and most spectacular acquisitions of the time whereby, in the light of the standards which prevailed then, gigantic sums of money were involved. In 1985, for example, Nestlé acquired Carnation, an American corporation, for \$3 billion – until then one of the largest takeovers ever. Shortly afterwards, in 1988, Rowntree, the English company, was acquired for \$4 billion, which was the largest takeover of a UK company by foreigners. In the same year Buitoni, the Italian company and later Perrier, the French company, were added – to mention but a few of the more well-known brands.

Thus Helmut Maucher perceptibly reduced the one-sided dependence on Nescafé and rapidly gained a foothold on the market for the company's new products such as ice cream, chocolate bars, pasta, pet foods and water. Moreover, this strategy was a significant lever for expanding the company's geographical presence in the USA and in the former communist states in the east.

Despite the diversity of the products and the speed of the acquisitions Nestlé never lost its identity. On the contrary, this was steadily strengthened because Maucher was an expert at creating a functional basic logic. He provided Nestlé with rules which hold the company together to its very core – biology calls it the genetic code. In this instance we could call it the *Maucher Code*, one of the most universal and significant Master Controls.

At the dinner given by the newly qualified Doctor of Economic Sciences to celebrate his PhD, Helmut Maucher and I had the opportunity, for the very first time, to discuss in detail – against the background of the dissertation with its very abundant results – his management philosophy and his management methodology, the results of which, in the context of his strategy and his co-operation with the Board, were portrayed so impressively in the research project.

Plans for this book

When, on the spur of the moment, I suggested to Maucher that evening that we undertake the project of writing this book, he declined at first. He said that he had written everything already and that it was only a short time ear-