Dr. Helmut Maucher currently serves as Honorary chairman of Nestlé. His remarkable career at Nestlé spans decades. Dr Maucher started as an apprentice after graduating from high school and then rose through various management positions within the company to become the Chief Executive and subsequently the Chairman of Nestlé. During his time as the CEO, the company expanded to become the largest food company worldwide with 260,000 employees.

Dr Maucher has also served as the President of The Council of the International Chamber of Commerce (ICC) and he has contributed significantly to the creation and early success of The World Economic Forum.

Dr. Helmut Maucher exclusively talked to The Hawkamah Journal with our CEO Leonardo Peklar about his views on the present situation in the global economy, modern challenges of leadership as well as issues of the family businesses and emerging markets.

In this world of constant change, globalization, boom and bust, where successful international companies are now financially bigger than medium sized countries and where the governance of companies is becoming equally, if not more important, than the governance of countries. Dr. Maucher – where is the (business) world today? How did we get here and what are the ways forward?

The present situation is the result from a complex combination of globalization, political changes, and demographic changes, significant increases in prosperity around the world and the overall computerization and development of new media.

Let me mention in this connection that in the last 50 years the media influence has grown exponentially with the advance of technology, first there was the telegraph, then the radio, the newspaper, magazines, television and now the internet.

For the future, I do see enormous opportunities in business for those who are able to successfully manage the challenges in this new world of ever changing market and exploit new business opportunities. Due to globalization, good management will be more rewarded; bad management will be punished even more harshly. For businesses, it is therefore especially important to keep focused on a long-term view despite all the pressures from competition and the financial world.

Today’s problems are very complex and most of the people cannot fully understand them, so they rely on media. The correlation between what people think and what the media is telling them is significant. So the position of media is essential for the position of society. If media is leaning too much towards short term goals and gains and neglecting long term effects and business viability, this can represent a serious threat for competitiveness and sustainability. So it is a crucial economic issue which ideas are supported by media - short term or long term ones.

We can be philosophical about the problem – the evolution of mankind has not worked in way that encourages long term thinking. In order to survive, human beings have always been pre-occupied with the daily worries, with short term problems. Today, there is an increasing trend for long-term thinking, however majority is still influenced by short term goals. Many of the problems we face today are a direct result of people’s short-term thinking in the past. And the solutions for these problems cannot be addressed by more short-term thinking.

What are the implications of these developments for “leadership”? What should be the characteristics of the “New” business leader today?

As for the new business leaders of today, we should emphasize their personalities and personal attributes and not only their professional and technocratic abilities. Personal characteristics are crucial but often overlooked and underestimated. Personal characteristics are never easy to measure, but you have to observe the people. If they always react in the short term manner, opportunistic at every occasion, leaning towards particular stakeholder and forgetting the others, not having the best interest of the company in mind, and etc., then they are not going to be good leaders. They are not going to be the leaders you want and companies need.

You have to observe carefully while bearing in mind that there is no one single gift that makes a good leader. People have often asked me why I was so successful and my answer was always – I was not an Einstein in any of the particular things you are looking for; however I had a combination of several complementary talents that helped me think autonomously and lead the organization with the long term goals in my mind.
Corporate governance is becoming increasingly Board centric. Let us take an example of a Board of a large international corporation, such as Nestle, with several hundred subsidiaries across the globe – How can we design a corporate governance framework that enables proper functioning of the business, ensures accountability to shareholders and stakeholders, assures compliance as well as enhances performance and sustainability?

The Board of Directors should play a specific role to emphasize the long-term view of business, especially when the executive management is driven too much by short-term pressures. It is important that the Board is not dealing with too many details and that they stick to their main task. Otherwise, strategic leadership loses flexibility. The essentials for the board supervision are: the right of information, appointment of the top-management and the provision of advice, especially on strategic issues.

I have never seen a company that has been successful in the long run, where the Board was very good and the management was very weak. And I have never seen a Company where the management was very strong and the Board was weak, which was not successful.

To summarize, according to my opinion - the key is in the hands of management and the most important role of the Board is to appoint the right management and dismiss the wrong one. We unfortunately too often see Boards that
are interfering in details, but do not have the courage to replace the CEO.

You have served on various boards, including large family business boards in emerging markets. Can you share your views and lessons learned in private family-owned entities? How and why are they different from publicly listed companies? What are the most important elements that a non-family non-executive director can bring to the table in such a company?

Private family-owned businesses usually have a natural long-term focus. They often think from the perspective of generations. They are very often less bureaucratic and more flexible than big companies. However, one of the biggest challenges they face is how to best pass business on to the next generation. Sometimes they simply lack good succession plans, generating severe problems when the next generation is not willing or able to run the business in the same way. Spotting the weaknesses is a difficult task when considering the next generation to take over. The family members should have a preference, however, only on the basis of merit and on their equal competence with other candidates.

If I would have a say in preparing the legislation for the family businesses around the world, there would be obligatory institution of family councils! They should enable families to speak with one voice and deal with the critical issues such as succession, family employment policy, dividend and other family governance issues. If families do not realize the need for that they, as families as well as businesses, sooner or later will start suffering.

There is a saying that “culture eats strategy for breakfast”. How do cultures affect the functioning of a multinational corporation? And vice versa – how do large international corporations affect local cultures?

International corporations have to accept different mentalities and cultures in different areas of the world. This goes without saying. One has to develop a corporate culture which is designed in the way that it does not violate different cultures and mentalities.

However, as an international corporation, you need to remember where you are coming from, where your nest is, what your values are, and what you stand for.

Nestlé endeavors to integrate itself into the cultures and traditions where it is present, while staying true to the company’s core values and principles. This entrepreneurial culture of Nestlé is based on hard work as well as on engaged, ethical and broad (not narrow) thinking. These values have always been essential and embracing the Nestle culture means working in an international environment and accepting different cultural origins.

In large international corporations, such as Nestlé, with hundreds of companies around the world – how should the CEO approach the issue of Subsidiary governance?

It all starts with leadership. You have to build the credibility as the leader who has confidence in the company. You need to establish open communication, treat people fairly, build long term relationships and care about the long term image. As a leader, you are constantly dealing with change and people have to trust you in order to follow you on that path. Equally important it is to know that you cannot do everything on your own. In a big company you select and work with some 300 people. They have to be very good, not just professionally but also based on their character and personalities. They are essential for the implementation of the strategic issues in the right way and establishing loyalty to the organization.

One of your crucial tasks as a leader of a large organization is to work every day on developing human potential around you. One of my important principles was – I delegate and decentralize a lot of things; however that does not mean I am not interested in those things anymore. Delegation without following up and assessment of the results of delegation is often useless.

Another principle I have used regularly was not to interfere if things didn’t work; I have rather replaced the incompetent managers.

Of course you need to develop a sense for the people and problems. You simply cannot only rely on reports you get on your table. Two thirds of my time I was always on the move, all over the world, covering our operations. Employees, business partners, other stakeholder have to see and feel your presence. Without being able to understand the business and make your own judgments, you are lost. People will always try to tell you how good and indispensable they are. After a while you develop the knowledge and instincts that while you walk through the factory and observe people, you learn all you need about the results and capabilities of the managers.

You have also played a significant role outside Nestle. Can you describe your role just within two organizations – International Chamber of Commerce and World Economic Forum? What is your view today on both mentioned organizations?

First of all, I would like to emphasize that today’s top-management, beyond mere corporate social responsibility, also has to become active in international organizations and associations. Otherwise the business will not play...
its necessary role in society. The International Chamber of Commerce (ICC) is the only worldwide organization that does not cater to individual business sectors and interests. Its main goal rather is to strengthen commercial ties and free trade among nations, which is not only good for business but good for global living standards and good for peace. Being independent of individual lobbies gives the ICC a very important authority.

The World Economic Forum (WEF) founded by Mr. Klaus M. Schwab, a Geneva business professor, has, right from the beginning, played a very important role in tackling and discussing overall issues relating to business and society as well as economic issues without any formal authority. It has had a significant impact on the worldwide discussions in this field and it is gradually expanded over the years, under the direction of Schwab, taking on a broader role in the business world and it can be considered as a dominant force in the international circuit.

**How important is the “duty of candor” in business leadership? Is the situation today better or worse than a decade ago?**

I have the feeling that the willingness of top business people to speak up and participate in public discussions has decreased. This is regrettable. Lots of business people today do not have the same sense of responsibility towards society. Too many business leaders are being too technocratic and having no interests in what is going on beyond their companies. Many of them want to avoid problems, so they don’t speak up. The consequence is that if the right people do not speak up, the wrong voices are heard and the society goes in the wrong direction. I believe business leaders have the duty to speak up, and contribute to the discussions so that the society goes in the right direction.

**What would be the Helmut Maucher’s Governance & Leadership principles for companies in the emerging markets that are dreaming to pursue the same bold plan you had several decades ago with Nestle?**

In dealing with emerging markets, it is especially important to keep the long-term view as there usually are no fast solutions. And even though this sounds simple, it is all too often neglected to thoroughly identify and understand the main differences and similarities that characterize emerging economies as well as profoundly understand their different cultural, political and institutional frameworks, which again, is most crucial in order to develop local management people.

**What is the single most important leadership lesson you would like to pass on to the next generations?**

Again, I would like to emphasize the importance of personality, character and an overall interest in what happens in the world. These things are in the long run more important than any professional skills and technocratic mentalities. At the end of the day, we are not only responsible for the things we do, but also for those we don’t do, but we would have to!