

LEADERSHIP IN THE FIELD: Interviews With Global Leaders

By Russell Reynolds Associates
with Roger O. Crockett

In this interview, Jean-François van Boxmeer, Chairman of the Executive Board and CEO of Heineken N.V. sheds light on driving growth in the age of social media, the importance of culture to M&A success, fighting complacency and embracing family stewardship.

Heineken CEO Jean-François van Boxmeer on Global Growth Strategies

An Edited Transcript

Chapter 1 — In a strategy for global growth, innovation makes the difference.

Roger Crockett Let us start by discussing the differences between growth strategy in emerging markets and growth strategy in developed markets. What is the crucial difference?

Jean-François van Boxmeer Roger, they are very differentiated because in our business what counts first is the demographic growth. That is what is the basis of our business, and you need demographic growth, economic growth and a certain amount of political stability. When you have got that equation right, then you have growth.

Roger Crockett Well tell me a little bit about a growth strategy in a market like Africa, which is one of those areas where a lot of companies are moving now. What is unique about trying to drive growth in that emerging market?

Jean-François van Boxmeer What is going fine in Africa is that the population growth is there. You've seen for a number of years a pleasant economic growth and that is based on an enhanced political stability. In Africa you have seen the Internet and mobile telephones profoundly change societies over there. Africa today is connected to the world and hence over the last decade you have seen growth of an emerging urban middle-class. This class is at the heart of where beer consumption is. Therefore, the investment which we make on the African continent is absolutely key to our global growth. Latin America, same story. You have again, economic growth so you have to look at your business as a collection of geographies with possibilities on the short-term, on the medium-term, but also on the very long-term. And certainly India and Africa are those countries which are promising for the long-term.

Roger Crockett Let's talk about Europe and the US where growth is not as strong, what do you have to do to innovate and grow in those markets?

Jean-François van Boxmeer It is all about innovation and the battle is harder because first of all beer is not top of mind. People have iPads and iPhones and all kinds of other things to distract them from beer. But you have to fight for a market share [to] get your brands to be part of the conversation. In that respect, our investments in new media are key to our strategy as well as innovations with new products, new packaging. You do everything that you can be part of the conversation and making your brand exciting for the consumers. That is how you grow your market share. So the market is not really going to grow, but you have to grow your share of the pie, that is the name of the game. And again, innovation is what makes the difference.

Chapter 2—Secrets of a winning global brand: Creating cross-cultural appeal.

Roger Crockett **Innovation and, of course, in an industry like yours marketing...**

Jean-François van Boxmeer Counter-intuitive innovation.

Roger Crockett **Counter-intuitive? Why?**

Jean-François van Boxmeer Because in brewing we always talk about tradition. Many of our brands have existed for over a century. Heineken has existed since 1864, so it is already a very well established brand for a long, long time. So it is part of the fabric and the DNA of a brand to have that long tradition, but at the same time you have to remain very contemporary. This is what you do through innovation.

Roger Crockett **You mentioned staying fresh. You mentioned brand. You are in a very, very competitive industry where brand, where marketing, where the ad-wars are crucial. As a leader, how do you go about managing your organization to make sure that you are managing that marketing war as efficiently as possible?**

Jean-François van Boxmeer The marketing war as you call it is all about being part of the conversation with your brands. At Heineken we have one brand which is global, which we sell in 179 countries. We are known for it. It is the Heineken brand. And then in addition we have 235 local brands, which are relevant in each and every market where we operate. It is the Star brand in Nigeria, it is Cristal in Chile, it is Tecate in Mexico. It is a brand like Kingfisher in India. Those are national champions in the countries where we operate them, and every single one of these brands has to be shining, leading and coming across as very desirable. This is where we invest our money. So, on the one hand, we have the global side of our business with Heineken, and on the other hand, we have a big local side in advertising. Now, if we have a deeper look at the global side, the global brand calls for global campaigns, and for the use of Internet communication in a much more forceful way than you would do for a local brand. With the Heineken brand, we have embarked on global campaigns for about 18 months, whereas, in the past we were a world brand with a lot of local declination in our ads. We shifted towards much more global advertising, which we always release on YouTube. Then you have got a conversation, you have got return and you can come with more interactive parts in your advertising. And then we use classic media as a kind of enhancer and to reach the larger public. I think that is the secret of being a real global brand—it is being appealing, over the barriers of cultural specificity.

Chapter 3—Successful M&A demands a culture of mutual respect.

Roger Crockett **In your tenure, Heineken has experienced dramatic revenue growth. How do you develop a leadership team that can continue to work well, even as the company has grown so big?**

Jean-François van Boxmeer That is perhaps the biggest challenge that we face. First of all we grow a lot by acquisition. Over the last ten years we have done 39 acquisitions and entered 30 new markets with full-fledged brewing and distribution operations, local brands, and what have you. So we have had thousands of people joining the company from countries as diverse as South Africa, Russia, Mexico, Brazil—all countries in which previously we had only tiny import operations and today we have large full-fledged operations. So you have to make it one company that is based on one culture and that culture is based on one set of values, which is passion for quality and also respect for people and environment. These are important values for us and the culture of performance that unites us. And so fostering a culture of performance, belonging and sense of purpose with strong values, is very important for such a company to work.

Now, that having been said, with a large company you also need control mechanisms and you need also to leverage your skill. You have to do things centrally or globally where it makes sense to do it. So it is a subtle mix of creating a culture of belonging, together with a very, very demanding and strict definition of where we want to go, and be clear about it.

Roger Crockett

What do you think companies do wrong if the merger falls apart?

Jean-François van Boxmeer

I think you have to respect the party you acquire. As we grew by and large by acquisitions, we learned always to take the best sides of the acquired companies and blend them into the core Heineken company. I think there are always good people and good practices that we can blend in ours. It is when you observe good practices in the acquired company that are just as good, you take them onboard. That creates a culture of mutual respect and you can develop something which is solid going forward. Of course, when you take over you will impose certain of your systems, otherwise it does not work. But in return, you will also absorb things from what you recently acquired, and the mix works quite well.

Chapter 4—Avoiding complacency: “The fish rots from the head.”

Roger Crockett

What about the danger of complacency or too much bureaucracy as you grow larger? How do you avoid that as a leadership team?

Jean-François van Boxmeer

Bureaucracy and complacency are two different things, though they can work hand in hand. Bureaucracy comes with controlling activities that you have to perform. You have to be in control of your company, and when doing that you can over process your controls and you create bureaucracy. Bureaucracy is a necessary evil to keep a large body functioning. People who are serving in the bureaucracy, if they have a sense of purpose, that bureaucracy will be positive. And that is, I think, the subtle nuance you can make. You have always to chase that [goal] that you are not falling into the trap of having an overburdened purposeless bureaucracy. At the same time, complacency has to do with success. When you are big and you are successful, you always have the tendency of saying, “I am here” ... You are never there because our success is due to the fact that people are taking a little bit of money out of their wallets to buy our brands because they believe they are the best brands they can buy. That trust you have to earn every day again, every day again. So there is no room for complacency in our business.

Roger Crockett

Well, how do you work with your management team, your executive team to avoid that complacency?

Jean-François van Boxmeer

There is that African saying that a fish rots by the head. One thing you can do as a leader is show the way, and that is how you behave. Certainly when we talk about complacency, people watch me. If they would see me complacent I think that would send an awful wrong signal in the organization. So, if I am not, my team will not be, and that cascades down and we stay on the ball.

Roger Crockett

Let me ask you about the board’s role. Maybe the board of directors has a role to make sure that their oversight is such that you do not become complacent. Is that right?

Jean-François van Boxmeer

It is one of the primary tasks. Another is to evaluate whether we are in control. We [evaluate whether] we know what we are talking about and we are not complacent, and we have a clear strategy going forward, and we have good succession plans in place for even ourselves, and that our risk management thinking and processes are well balanced so as not to jeopardize the long-term future of the company.

Chapter 5—“The magic of 146 years of family-shareholder stewardship.”

Roger Crockett

Let us talk about shareholder involvement. What are the benefits and limitations involved with shareholders, especially large shareholders?

Jean-François van Boxmeer

As you know, we have been a family controlled company for 146 years. Now, since we are still growing and winning share on the market, I guess it is a successful formula. At the same time we are a public listed company, so we have also medium-term shareholders and short-term shareholders. You have to combine the two worlds and try to bridge the interest. But conventionally, a company which is family controlled will look for shareholders who are interested in a long holding and a sustainable development growth path over time.

This is where we concentrate, and I guess that being a family company brings these kinds of values and also long-term perspectives with it. Think about a brand like Heineken. I think it took three generations of Heinekens at the helm of the company to build this brand as the leading premium brand in the world. It started in the 19th century, when we were exporting our beer to Paris. It was available in Beijing in the times of Mao Zedong and in Russia in the times of Brezhnev right. For us, globalization began early, and I think that the family's stewardship in that has played a big role because it is an enterprise, but it was also an adventure.

Roger Crockett

What are the pluses and minuses of family involvement or large shareholder involvement?

Jean-François van Boxmeer

Well, if a family holds to its control, obviously it is a bit more cumbersome or complicated to make capital emissions than you would have in a totally free-float company. That would be, I would say, about the only disadvantage I can find in a family controlled company. But by and large, it is out balanced by the positive aspects. And, frankly, if I would have felt in my tenure that it would have been a break on the development of this company I would have flagged it. But on the contrary, so far we have doubled the size of our company in the last six or seven years quite successfully. I think the people are proud to work, not only for the company, but also to know that there is a stable shareholder that has this company in custody for what will be the fourth and the fifth generations. There is something magic to it and that is what we call the magic of Heineken.



Jean-François van Boxmeer is Chairman of the Executive Board and CEO of iconic global brewer Heineken N.V. Since joining Heineken in the mid 1980s, he has honed his management skills in markets from Rwanda to Italy. Mr. van Boxmeer became a member of the Heineken Executive Board in 2001 and took over as CEO in October 2005. As CEO he has led a thoughtful M&A strategy to continue Heineken's global expansion in important emerging regions such as Africa and India, while maintaining the 146-year-old brand's excellence in the U.S. and Europe. Not only an expert in beverages, he is also a director on the board of Kraft Foods.



Roger O. Crockett is a veteran business writer, thought leader and speaker. He is the former Chicago Deputy Bureau Chief for *BusinessWeek* magazine and a contributor to *Harvard Business Review*. His perspectives on business, leadership and diversity are trusted by many of the world's top executives and entrepreneurs.