

# INSEAD

The Business School  
for the World®



## **Transforming Reckitt Benckiser**

04/2011-5686

This case was written by Morten T. Hansen, Professor of Entrepreneurship, Herminia Ibarra, Professor of Organisational Behaviour and the Cora Chaired Professor of Leadership and Learning, both at INSEAD, and Nana von Bernuth, Research Associate, with the assistance of Cristina Escallon and Elin Williams. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 2011 INSEAD

TO ORDER COPIES OF INSEAD CASES, SEE DETAILS ON THE BACK COVER. COPIES MAY NOT BE MADE WITHOUT PERMISSION. NO PART OF THIS PUBLICATION MAY BE COPIED, STORED, TRANSMITTED, REPRODUCED OR DISTRIBUTED IN ANY FORM OR MEDIUM WHATSOEVER WITHOUT THE PERMISSION OF THE COPYRIGHT OWNER.

## The Beginning: The 1999 Merger

In 1999, managers from two companies sat together in their Amsterdam offices to hammer out details in the wake of a merger that had created one of the world's largest producers of home, health and personal care products. The managers, from the German/Dutch company Benckiser and the British Reckitt & Colman, had laboured through a difficult meeting and time was running out. After lunch, a Reckitt manager announced that they needed to wrap things up in order to catch their flight. "There was no decision made, yet all the Reckitt people were happy to leave," said one Benckiser manager who later told the story. "All the Benckiser people got very, very nervous because they would not leave a meeting without having a clear decision made and clear action agreed. It's just not possible in our culture."<sup>1</sup>

Culture clash is an inevitable byproduct of a large merger, even though from the outside it looked like the perfect marriage. On one side of the aisle was Benckiser, founded in Germany in 1823, which had relocated to the Netherlands and listed on the Amsterdam Stock Exchange, with a strong presence in automatic dishwashing and fabric care in the household cleaning market. On the other was the larger but troubled UK-based Reckitt & Colman, which focused on surface care (disinfectants), home care (air care and pest control) and health and personal care. The two companies had complementary geographical strengths and product portfolios that dovetailed nicely (see Exhibit 1 for historical milestones).

The post-meeting doubts on the Benckiser side hinted at a less-than-smooth start. Before the merger Reckitt & Colman had been performing poorly. Its share price had fallen from 1,300 pence to 700 pence the previous year. Shortly after the merger the new company put out a profit warning. While buoyed briefly by the announcement of the merger, the share price fell again to 440 pence. It did not make for an auspicious start.

However, the rocky beginning did not reflect the long-term picture. Those who held on to their Reckitt Benckiser (RB) stock would have no regrets. Cumulative total shareholder return over the 11 years since the merger was 454%, beating the FTSE 100 Index 4.3 times.<sup>2</sup> Organic revenue growth was 7.6% annually over that period, while operating margins climbed from 11.9% in 1999 to 26.4% in 2010 (see Exhibits 2 and 3 for financials and sales breakdown). In a 2010 INSEAD ranking published in the Harvard Business Review, Bart Becht, the Benckiser CEO who became CEO of the combined company, was ranked the 16th best-performing chief executive in the world (see Exhibit 4).<sup>3</sup>

Several factors underpinned this performance, including the company's strategy, unique company culture and leadership model. In addition, RB pursued an environmental sustainability strategy focused on reducing its carbon footprint and removing chemicals from its products (see Appendix for more details).

---

1 From INSEAD interviews, January 2010. All other quotes from the same set of interviews, unless indicated otherwise.

2 Source: Datastream. From March 12 1999 to February 28 2011.

3 Hansen, Morten T.; Ibarra, Herminia; Peyer, Urs, "The Best-Performing CEOs in the World", Harvard Business Review, January–February 2010.

## 1. Strategy

Since the late 1990s, the Benckiser management team had articulated a strategy aimed at achieving above-average industry growth. There was no “secret sauce”: Reckitt Benckiser’s strategy was communicated widely to shareholders and employees alike and changed little over time: “I can show you the strategy document that we used for Benckiser at the road show in 1997 and I can show you our strategy document today,” said Bart Becht. “It is the same; there is no difference.” The central tenets of this strategy were:

1. **Right people, right culture.** Getting and keeping the right people (and avoiding hiring the wrong ones) was seen as key to creating the right culture and approach to the business.
2. **Drive above-industry average growth.** Several strategic elements were put in place to target growth categories.
  - *Sharply focus on Powerbrands.* RB focused on a limited number of market-leading brands in global categories that had disproportionate growth potential relative to the industry. For example, it had a leading position in dishwashing detergent, a market with a higher rate of growth than laundry detergent. Powerbrands were managed globally.
  - *Grow Powerbrand categories and Powerbrand market share.* RB invested heavily in Powerbrands, relying on strong media and marketing support and undertaking incremental product innovation based on consumer needs.
  - *Focus mainly on organic growth.* The strategy relied on growing these Powerbrands, as opposed to acquiring other brands. Mergers and acquisitions were an “on top” activity that was only considered appropriate if the targets had great strategic fit, if RB could clearly add value to the target, and if the financials made sense from a shareholder point of view (see Exhibit 5).
3. **Turn into interesting profit—and cash.** Finally, the strategy relied on squeezing costs on an ongoing basis. Top management was sharply focused on cash management and not profit per se. “Profit is an opinion. Cash is a fact,” as Bart Becht put it.

### Global Powerbrands

Central to RB’s strategy was the concept of Powerbrands, introduced in early 2002, with the aim of concentrating on fewer, stronger products to drive sales growth. They were defined as leading global brands in high-growth markets with disproportional margins. As such, they received the majority of the company’s innovation, media and marketing investments.

As of 2011, Reckitt Benckiser had 19 Powerbrands in its portfolio, including household names around the world, such as Vanish, Harpic, Dettol, Finish, Strepsils and Nurofen (see Exhibit 6). Powerbrands were defined at the category level, and not aggregated market levels. Rather than compete in the saturated laundry detergent market, for example, the company focused on the growing segment of automatic dishwasher products. (The laundry detergent market was dominated by Procter & Gamble and Unilever—with growth of only 1% to 2% annually). With its Finish brand, RB was the world number one in this market category. “Almost 50% of the household care industry is laundry detergents, and it’s boring,” said

Marzena Moglia, an industry analyst with Euromonitor. “The other 50% is the interesting, high-growth area. That’s where Reckitt Benckiser plays.”<sup>4</sup>

The list of Powerbrands remained pretty stable over the years, with a sharp focus on limiting the number of brands that received this status, as Simon Nash, senior vice president (SVP) of human resources, explained:

*“Tough decisions have been taken here. They would not have been taken in my last company, at all. We might have a tail [of other brands], but you see limited investment in it. Other companies would get seduced. For example, I think personally I can see some great brands I would have invested in here: E45, it’s a local brand, it’s a superb product for dry skin, you could grow it everywhere, but it doesn’t make the grade to be a Powerbrand.”*

In 2010, Powerbrands generated 69% of Reckitt Benckiser’s net revenues, and almost all of them were either number one or two in their market globally (see Exhibit 7 for the evolution of Powerbrands’ share of revenues). The fundamental principle was to build genuinely global, rather than regional or local, brands. Vanish, for example, was launched in Britain in the 1980s as a stain-removing soap; today it is market leader in 75% of 57 countries.

While Reckitt Benckiser’s products retained a consistent overall image across the globe, they were allowed to express themselves somewhat differently in each market – if and when it made sense to do so. “And that, I think, is one of the things that makes us unique,” commented Laurent Faracci, global category director for Dettol and Lysol. “We deal with this issue in a very honest and non-dogmatic way. There is no politics, and people move between global and local functions.”

The key R&D and category people met on a regular basis – around five to six times a year – to go over the category and make key decisions. According to Nash:

*“We are pretty clear: 19 global Powerbrands, strategically owned globally. We don’t have people locally that can change the direction of those brands, but we do have people locally who are expected to exploit growth and push for whatever they can get on those brands in their local markets. So there is a tension created: a conversation and the need for debate and decision-making.”*

RB supported the global Powerbrands with significant marketing resources. The company’s global spending on media increased from 9.4% of net revenues in 1999 to 11-12%, amongst the highest in the sector (see Exhibit 8).

Instead of spending to take market share from competitors, however, RB used its considerable marketing budget to grow markets with low product penetration. For example, it invested heavily in promoting ownership of dishwashers – a product it does not make – in order to grow the market for detergents. “It’s not because we are philanthropic or we want people to stop washing dishes by hand,” said Laurent Faracci. “It’s because growing the market is generally the best way to grow your business.”

---

4 Kitchens, Susan, “New Life in the Labels”, Forbes Global, July 21, 2003.

## Innovation

Rather than spending vast amounts of money on R&D to pioneer new brands, RB managers worked to improve the Powerbrands with a continuous flow of incremental improvements. They looked to offer consumers a little extra convenience—for which they are prepared to pay a premium. Becht liked to compare innovation to baseball: “People think that it’s about hitting home runs—it’s not,” he said. “Innovation is about getting many base hits and occasionally hitting the home run. You very rarely win a baseball game just by hitting home runs. And the objective is to win the game.”<sup>5</sup>

Finish dishwashing detergent is a good example. Consumers traditionally used three different products in their dishwashers: a powder, a rinse agent, and salt. In 2000, Reckitt Benckiser launched the new Finish PowerBall 2-in-1 tabs with integrated rinse aid. In 2001 it added salt and launched the Finish 3-in-1 Brilliant. In 2005, the product was further improved by a glass protector and called Finish 4-in-1.

The company’s strategy of “innovation marketing” combined intensive market research and consumer-led product development with heavy promotion of brands. For example, research showed that people were looking for products to save time: they wanted to spend less time scrubbing bathtubs, mopping floors or making their homes smell great. Reckitt Benckiser’s Air Wick Freshmatic automatically dispenses fragrance into a room at pre-determined intervals, and consumers can choose to have this go on when they are in or out of the house and so keep the ambience of their home consistent all day long.

The company’s innovation rate (defined as the percentage of annual revenues from innovations launched in the last three years) had improved from about 20% after the merger in 1999 to over 30% on average, reaching 40% in 2008. However, the focus on innovation did not mean huge R&D spending. In fact, Reckitt Benckiser’s overall R&D spending was relatively low by industry standards, amounting to 1.8% of net revenues, compared to around 2.5% at Henkel and Procter & Gamble and 2% at Unilever.<sup>6</sup> According to Becht:

*“Ideas can come from R&D, but that is one of many, many sources—and I think that is typically still not recognized in most companies, also not in our industry. They still believe that only R&D—white coats coming up with new formulations or gadgets—can create innovations that basically drive the business. But it is not necessarily about new chemistry, about new gadgets. It could be about very simple interesting things consumers like.”*

At RB, ideas could come from outside, from the most junior person in the company, or anyone else. “We always say we steal with pride,” said Freddy Caspers, executive vice president for developing markets.

---

5 “Picking Winners at Reckitt Benckiser”, Accenture Outlook Journal, October 2005.

6 Source: company annual reports.

## 2. Culture and People

### The Right People with the Right Values

When the two companies merged in 1999, no one from Reckitt & Colman's executive team made it into the new company's executive team. Apart from the CFO, who was appointed from the outside, all members of the new team came from Benckiser.

Caspers, who was part of the new team in 1999, recalled the personnel decisions he made at the time. While he thought Reckitt & Colman had very good people at the middle and junior management level, he was less enthusiastic about the senior ranks. So he let 80% of them go:

*"I was not going to waste a couple of years on changing those people... It was not easy because the first one or two years I had to do most of the stuff by myself, but long term I thought it would be more productive."*

When Reckitt Benckiser acquired Boots Healthcare International in 2006, the same rigorous cultural screening was applied. Boots managers had to reapply for their jobs. Of its 77 senior managers, only 26 survived.

Getting the right people into the company and the wrong ones out had been a key priority since the 1990s. "Analysts cannot put that in their Excel spreadsheet, but it is about attracting and retaining the right people and retaining the culture of the company," said Becht. "I would rather have a slot empty than the wrong person in it."<sup>7</sup>

*"Even people who might have a performance track record, but lack the cultural fit, generally don't make the cut. In this company, you love it or hate it. It's a little bit like Marmite.<sup>8</sup> Our culture can absorb people, but it will only absorb the people who are very much results and action oriented. I will give you a classic example. You have to be a self-starter – initiative is an absolutely key thing. If a new person is not a self-starter, it's kind of sad. After three months they are a bit lost and the company has already assumed they are leaving. You can tell – people are treating the person as if the person has already left."*

In recruiting, those who make it to the interview stage are interviewed comprehensively to see if they match the company's four official values: achievement, ownership, entrepreneurship and team spirit. These values have evolved over time, with efforts to distil the essence of RB's culture. For example, "ownership" evolved from what had been "commitment," and "team spirit" replaced "teamwork". Andraea Dawson-Shepherd, SVP of global corporate communication & affairs, explained:

*"Many organizations have people with 'commitment' and most will have 'teamwork'. We wanted to be very clear about what these words actually mean at RB. People aren't just committed – they don't work harder than at other places – but they do take the commitment personally. They feel and believe they own the*

---

7 Urry, Maggie, "Reckitt's strongly flavoured essence", Financial Times, January 21, 2008.

8 Marmite is a savoury spread that is part of the fabric of British life. It is also famous for breaking the rules of advertising by running a campaign with the strapline: "You either love it or you hate it."

*initiative and its delivery. That is 'ownership'. If you're up for that responsibility, it is hugely liberating – it's very freeing to be able to own the delivery of your accountabilities."*

Likewise, as Dawson-Shepherd recounted, they realized that "team spirit" was a more accurate description of their values than "teamwork". "We don't form teams to work in teams per se. We do it because a person needs another's input. It's more a spirit than a way of working."

Former executive Roberto Funari described Reckitt Benckiser's culture of performance:

*"Reckitt Benckiser has a meritocratic culture based on results and performance. There is a culture of risk taking. Also the decision-making is very rigorous. It needs to make financial sense and generate return on investment or shareholder value, otherwise we don't pursue or we review the decision."*

### **Constructive Conflict**

Freddy Caspers vividly remembered his first executive meeting at Benckiser (after coming from PepsiCo). He was surprised to find a room full of people jumping up, arguing and fighting passionately. "It's not like a physical fight, but you could say it's a mental fight," he said. "Everybody fights for his position."

Reckitt Benckiser's culture encourages conflict, not consensus. There is a strong belief in constructive confrontation, and decisions are often taken after tempered debate. "How we get there might not always be the prettiest way,"<sup>9</sup> explained Becht, who sees arguing over ideas as a positive element of the company culture.

On the other hand, nobody at Reckitt Benckiser likes leaving a meeting with the battle still raging. The argument culminates in a decision and alignment. Views are expressed and listened to. If no obvious agreement is reached, the person chairing the meeting will make a decision and the rest of the group agrees to align behind it. Claudia Bach, corporate brand marketing & PR manager, explained:

*"If we have meetings, we come really fast to the action points and even if only half the people agree on the right thing to do, it is then just decided and done without a long discussion about pros and cons of all the alternatives. Basically, the one with the strongest arguments wins. Conflict is part of daily life. It challenges you to think of all the different perspectives, to come 100% prepared to a meeting and also to have thought it through very, very carefully."*

According to Dawson-Shepherd, it takes a certain type of person to cope with this:

*"You need to be a strong self-believer and you also need to be really, really open minded and you need to take things at face value. If you are always seeking meaning behind that, always trying to read the tea leaves, you would become very frustrated."*

---

9 Urry, Maggie, "Reckitt's strongly flavoured essence", Financial Times, January 21, 2008.

Reckitt Benckiser has a diverse group of managers from different countries, with no one national culture dominating. For example, members of the executive team come from the Netherlands, Germany, Britain, Italy, South Africa, and India (see Exhibit 9). 49 nationalities are represented in the top 400. According to Bart Becht, this variety of national backgrounds coupled with constructive conflict allows for diverse perspectives:

*“We are very interested in having people from different backgrounds. It doesn’t matter whether I have a Pakistani, a Chinese person, a Brit or a Turk, man or woman, sitting in the same room, whether I have people who have done sales or something else, so long as I have people with different experiences—because the chance for new ideas is much greater when you have people with different backgrounds. The chance for conflict is also higher, and conflict is good per se, as long as it’s constructive... and it is very important that we always try to have the best idea.”*

### **Speed and Action**

At Reckitt Benckiser every meeting ends in a decision that is acted upon. “You’re through and out the other side at the speed of light – and then onto the next one,” said Sam Southey, who runs the Reckitt Benckiser business at the advertising agency Euro RSCG.<sup>10</sup>

“It’s about what you take from those ideas and how you get them to market, fast. Speed is where you make a difference in this world,” commented Laurent Faracci.

Phil Thomas, Reckitt Benckiser’s global category director for global surface care – and a former Procter & Gamble employee – explained how the company managed to churn out product innovations faster than its competitors:

*“We are a flatter organization than most companies. There are simply fewer people to talk to and fewer people to argue with. We don’t have endless meetings, because there’s no one to have them with.”<sup>11</sup>*

Simon Nash elaborated:

*“There is an absence of committees and therefore an individual can make a decision and move. We are trying here to hire a certain type of person, obviously the kind of person that is comfortable with making decisions and moving fast.”*

However, speed is not simply a matter of organizational structure. It is mainly a question of culture—a culture that tries to be free of bureaucracy and politics. “We don’t waste time on political games or subjective types of power struggles,” observed one manager. “We go out of our way to make sure that politics get eradicated because I think it’s very bad for an organization,” said Bart Becht. “I think its poison, to be honest with you.”

Similarly, Reckitt Benckiser does not value slick presentations or longer-than-necessary communications; it is interested in ideas and passion, not beauty or excessive detail. Said Andraea Dawson-Shepherd:

---

<sup>10</sup> Jack, Louise, “The speed of innovation”, Marketing Week, May 8, 2008.

<sup>11</sup> *Ibid.*

*“Everything is boom-boom-boom, and good enough. If anything is more than a page you wonder why. If you get more than a two-word email response on something, you wonder why. If I have to email somebody more than three lines – why? You don’t need to explain yourself, the fact that you are giving a view is okay, you don’t have to caveat it.”*

But speed is not enough: Reckitt Benckiser wants to be the first to market. The company learned a lesson about first-mover advantage the hard way, in 2002, when the Harpic toilet-cleaning wipe was launched. The product did not sell because European competitor Jeyes International had introduced its Parazone Flushable Toilet Wipes ten months earlier.

Since time to market is crucial, products often do not have the lowest possible product costs at time of market introduction. But the process of squeezing out costs starts “the day after launch,” according to Becht.<sup>12</sup> Two tubs of Lysol wipes make the point. The second, cost-optimized version is slightly shorter than the first and, under the cap, the opening where the wipes come through is larger. Since it uses less plastic and Reckitt Benckiser produces the tubs in bulk, the cost savings are substantial.

## **Compensation**

Reckitt Benckiser’s compensation is above the industry average for high performers, as Nash explained:

*“I think the compensation plan absolutely fits with what we are looking for from a people-and-culture perspective. It rewards performance very well and it penalizes underperformance. Essentially our base salaries are not by any stretch high—not enough to give someone the reason to come to this company.”*

RB’s remuneration plan consists of three major parts: base salary, short-term incentives (both paid in cash) and long-term incentives (paid in restricted stock or stock options).

1. The annual base salary is set around the median of competitors.
2. The short-term incentive bonus is a percentage of the base salary, which is then multiplied based on the performance of the company. If the company misses its target there is no bonus and the resulting pay will be average—even lower than average in the peer group. However, if the company exceeds its targets and does better than the peer group by a significant amount, then the pay will probably be at the top of the peer group.
3. Pay is geared towards performance. This motivates people who feel comfortable taking risks, feel confident they can perform, and who like to play for high personal gains.

However, high performance is not the only demand placed on RB managers. International mobility is another integral part of the cultural imprint, as Nash explained:

*“Almost all of our top executives have worked in two, three, even four continents; it’s embedded in the DNA. We will take a sales director from the United States and say, ‘Now you can be sales director in Malaysia,’ whereas other companies*

---

<sup>12</sup> Urry, Maggie, “The story of a successful merger that has helped everyone to clean up”, Financial Times, February 9, 2005.

*question whether sales directors can operate in a country where they don't speak the language. But we want globally experienced people running our business."*

Almost all of the senior executives have lived and worked in many places. For example, Heather Allen, Reckitt Benckiser's global category officer, has worked in Canada, Hungary, UK, Poland and the US. Roberto Funari worked in five countries in just 10 years: Brazil, Holland, South Africa, Germany and the United Kingdom.

### **Cost Control**

At Reckitt Benckiser, knocking costs out of the system is as important as building sales. This can be seen at the company's headquarters, which features average-sized offices, an absence of mahogany and fancy artwork, and plain desks and chairs. "It's all part of an austerity that represents, I think, many, many other things," said Nash.

For example, when Reckitt Benckiser figured out that its enterprise management system would not be supported by the vendor after 2014, it did not, like other companies, start to spend millions of dollars on specifying the latest leading-edge system. Instead, IT managers tried to find and retain people who knew the old system and could code it to make it last a few more years. Dawson-Shepherd recalled the argument:

*"There will be people who know how to support it. Well, let's find everybody who does know how to support it and see whether they would set themselves up as a little business to support us. ... which is just phenomenal. It has many of the features of a small family business."*

In order to keep costs low, Reckitt Benckiser created two permanent teams dedicated to cutting costs on a continuous basis, nicknamed the "Squeeze" and the "X-trim" (launched in 2000 and 2001, respectively).

The Squeeze team looks at the detailed design of products and finds ways to reduce the amount of materials used in manufacturing. Its recommendations can range from changing the design of a bottle for the sake of saving a few grams of plastic to reducing the packaging size of an air freshener by eliminating part of the container's base. For example, re-sealable, 10%-extra packs of Vanish stain remover, launched in early 2009, use 70% less plastic than the original. Across the millions of units manufactured, such changes have a major impact on costs.

The X-trim team is focused on the efficiency of the rest of the operation, including everything from cheaper sourcing to the optimization of distribution and plant reconfigurations. Thanks in part to this cost-cutting obsession, the company's operating margins reached 26.4% in 2010, up from 11.9% in 1999.

### **3. The CEO as Institution Builder**

Bart Becht has been CEO of Reckitt Benckiser since the merger in 1999 (and before that the CEO of Benckiser) and has naturally played an important role in shaping the company over the past decade. His style is low-key. A tall, slim fifty-something, Becht is punctual and

business-like, receiving guests in a modest office covered wall-to-wall with Reckitt Benckiser products. More at home in his local supermarket observing consumers and chatting with them to understand their needs than doing “celebrity CEO” interviews for the press or television, Becht sees his role as building, shaping, enforcing, and scaling the company culture – building the institution. Asked to describe his own management style, he said:

*“I am a very challenging person, but I very much work with people based on results. I will give them some coaching and counselling, but after that it’s their job and I will judge them on the results. I think that’s also what people want in this company. They want the space to prove that they can achieve the results themselves – not by me holding their hands every five minutes.”*

After obtaining an MBA from the University of Chicago, Becht held various roles at Procter & Gamble. In 1988, he joined Benckiser as vice president of marketing for the United States. Between 1992 and 1995, he was general manager in Canada, the United Kingdom, France and Italy, before being appointed chief executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995.

Members of his team described his leadership style as compelling managers to take initiative, show ownership and engage in constructive conflict. Freddy Caspers put it this way:

*“He’s direct, challenging, very performance-oriented. You always challenge yourself because he will challenge you. And you also learn a lot... I would say Bart and also a lot of people in the management team would be perceived as being very different to leaders in a lot of other companies.”*

Simon Nash added:

*“What you see is what you get. He says what he thinks. He creates an environment of challenge where people can stretch and grow. Some people [in other companies] might be intimidated by that. Here you have to have opinions and he wants to hear them. He and the other leaders who are very similar bring energy to the company. He will give his opinion quickly and that cascades through the organization: people move fast, people stretch, people make decisions, people take risks. That creates opportunity for them to do things they could hardly dream of in other companies. People grow very fast here. They have new experiences very quickly.”*

Ian Hutchinson, worldwide media director, who is not one of Becht’s direct reports, elaborated:

*“Whenever somebody new comes into my organization, I always take them up to the second floor and get them to say hi to Bart. I usually get a barrage of questions about what I am up to as well: ‘Nice to meet you and...Ian have you done this?’— like I guess any CEO. If he is not on the phone or with somebody, the door is always open.”*

Roberto Funari emphasized how Becht sets the tone for the business:

*“He is a pace setter. And the standards he sets for the business are outrageously high. It is a demanding leadership style. At the same time Bart has an immense capacity to give clarity and focus. And he is a no-nonsense guy. You can argue with him on the basis of facts and on the basis of data, and he will take it on board and change his mind. The rules of the game are very clear with him.”*

While Becht has been the CEO of the combined company since 1999, he alone did not create the performance—a large team of managers and employees made it possible. Under his guidance Reckitt Benckiser has built a system of distributed leadership: the team’s performance stems from a culture that compels managers to take initiative, show ownership, and engage in constructive conflict. They are not asked to follow orders from Becht but to lead within the framework of the strategy and the culture.

## **Summary**

With a total shareholder return of 454% and an average annual organic growth of 7.6% since 1999, Reckitt Benckiser’s performance has been the best in its industry during this period. The company relies on a Powerbrand strategy whose execution is enabled by the company culture that Bart Becht and his team have cultivated. The diversity in people and experiences allows new ideas to surface and be vigorously debated. The company takes a disciplined approach to decision-making, eliminating politics and focusing on speed, action and costs.

**Exhibit 1**  
*Reckitt Benckiser's History*

**Early history:**

- 1823** Founding of Benckiser by Johann A. Benckiser in Ludwigshafen (Germany).
- 1840** Reckitt & Sons founded in Hull (UK).
- 1888** Reckitt & Sons is launched on the London Stock Exchange.
- 1938** Reckitt & Sons merge with J&J Colman to become Reckitt & Colman Ltd.
- 1996** Benckiser relocates to the Netherlands; incorporated as Benckiser NV.
- 1997** Benckiser NV floats on Amsterdam Stock Exchange.
- 1999** Reckitt & Colman and Benckiser merge to become Reckitt Benckiser.

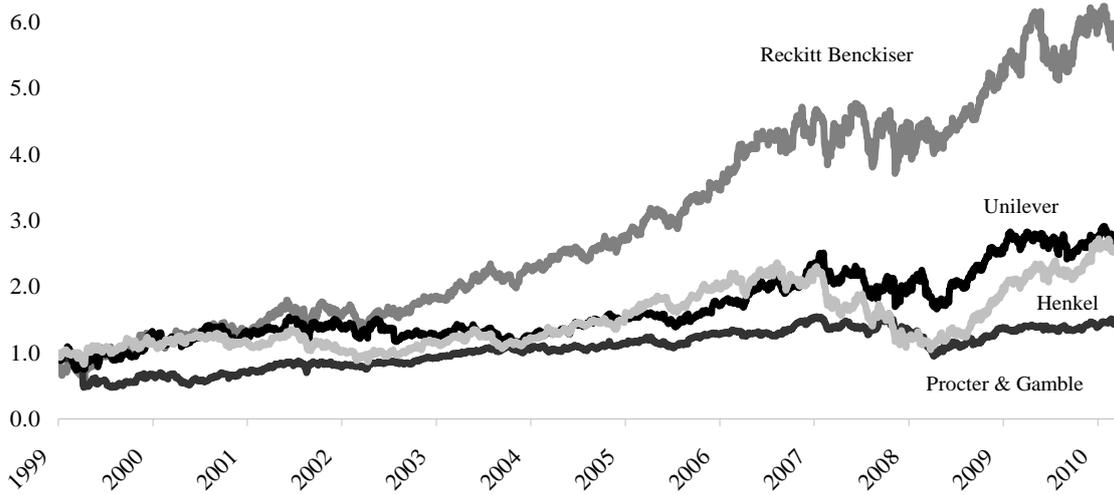
**Post-merger:**

- 2000** Reckitt Benckiser acquires Tiga Roda, an Indonesian pest control business.
- 2001** Reckitt Benckiser acquires Oxy, a leading household business in Korea.
- 2002** Reckitt Benckiser acquires outstanding minority interest in India and Sri Lanka.
- 2005** Cillit Bang launches in 68 countries in one year.
- 2006** Reckitt Benckiser completes acquisition of Boots Healthcare International, gaining a new platform for growth in the over-the-counter (OTC) healthcare market. Powerbrands acquired were Clearasil, Nurofen and Strepsils.
- 2007** Vanish hits the world No.1 spot. From its UK launch in 1999, Vanish becomes market leader in 75% of the 57 countries it now sells in.
- 2008** Reckitt Benckiser completes acquisition of Adams Respiratory Therapeutics, allowing it to enter the USA's OTC market with the Powerbrand Mucinex – the No.1 cough remedy in the US.
- 2009** Reckitt Benckiser launches its new corporate brand identity: “The Power behind the Powerbrands”.
- 2010** Reckitt Benckiser completes acquisition of SSL International and adds Durex and Scholl to their list of Powerbrands.

Source: Company website, newspaper articles

**Exhibit 2**  
*Reckitt Benckiser Performance 1999 - 2011*

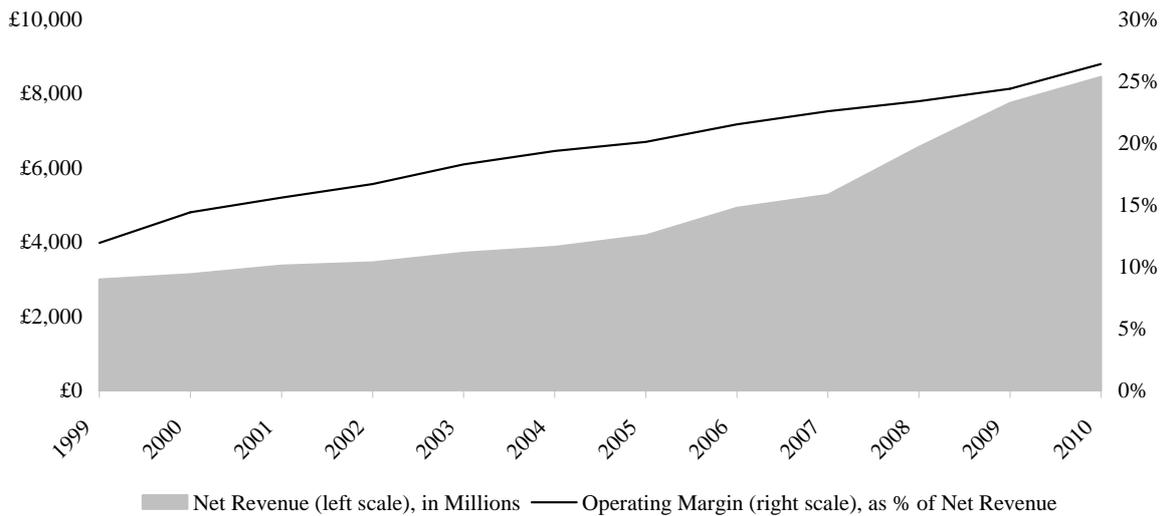
**TSR Performance from 3 December 1999 to 28 February 2011,**  
in Cumulative Total Shareholder Returns



Note: Total Shareholder Return (TSR) represents the change in capital value of a share over a period of time, plus dividends paid, expressed as a plus or minus percentage of the initial share price.

Source: Datastream

**Net Revenue and Operating Margin 1999-2010**



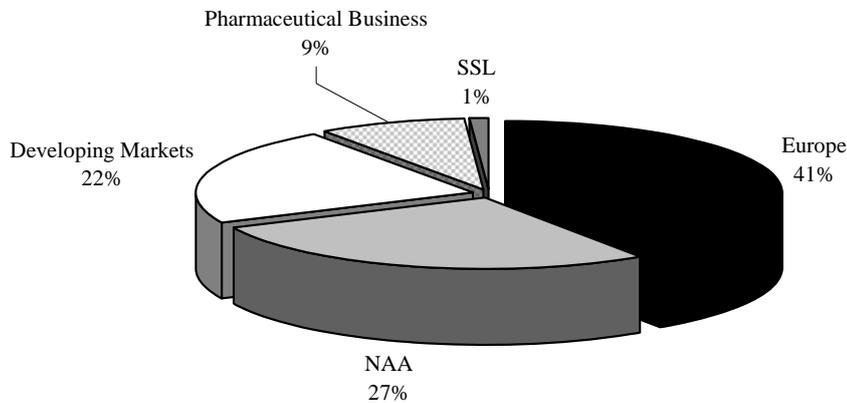
Source: Company data, case writer analysis

**Exhibit 3**  
*Reckitt Benckiser: Overview*

in £m	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net Revenue	2,989	3,133	3,365	3,454	3,713	3,871	4,179	4,922	5,269	6,563	7,753	8,453
Operating Profit (adjusted)	357	451	525	577	679	749	840	1,059	1,190	1,535	1,891	2,231
Operating Margin (adjusted)	11.9%	14.4%	15.6%	16.7%	18.3%	19.3%	20.1%	21.5%	22.6%	23.4%	24.4%	26.4%
Net Income	-37	314	332	408	489	577	669	674	938	1,120	1,418	1,568
EPS (adjusted and diluted)	29.0	38.8	47.1	55.7	66.2	77.1	90.0	107.1	123.4	157.8	194.7	226.5

Note: Reckitt Benckiser reports since 2004 under IFRS

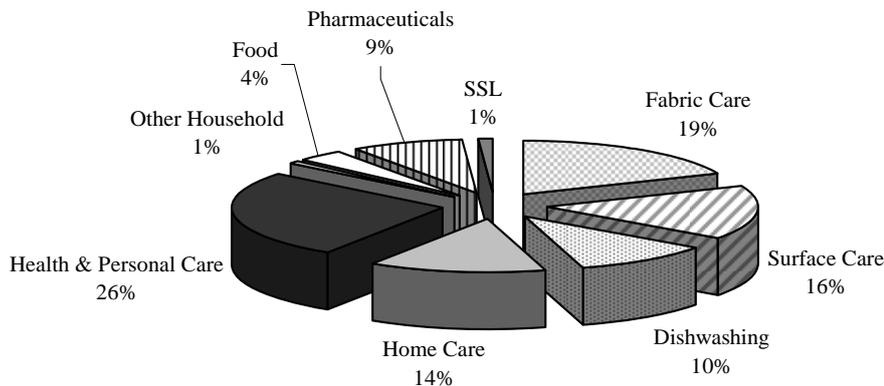
**Net Revenue by Region 2010**



Notes:

1. NAA = North America, Australia, New Zealand.
2. Acquisition of SSL International Plc in 2010.

**Net Revenue by Product Group 2010**



Notes:

1. Acquisition of SSL International Plc in 2010.

Source: Company data

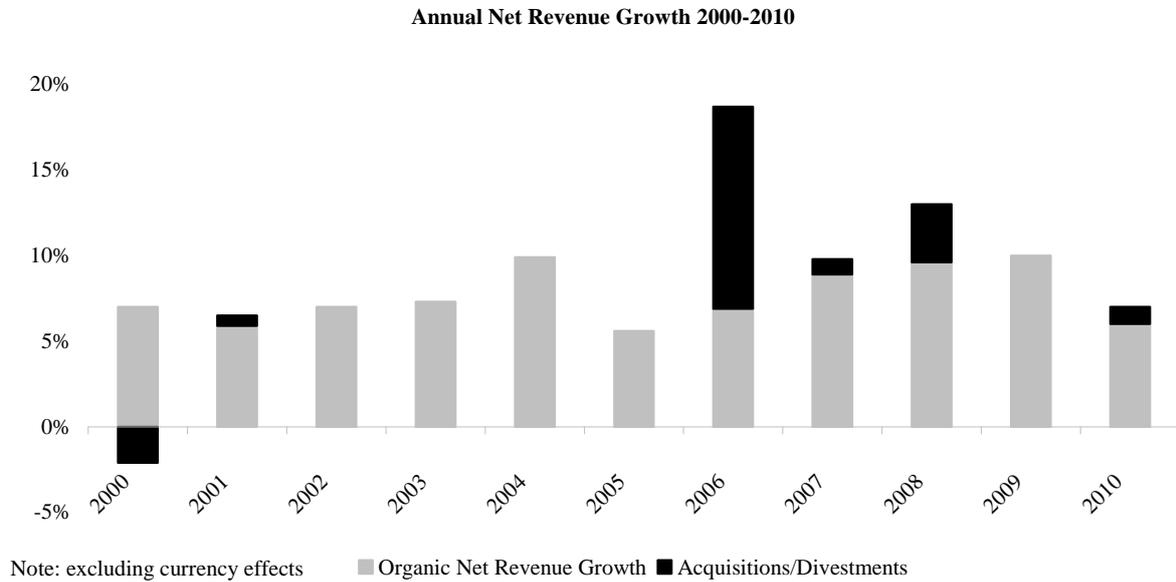
**Exhibit 4**  
*The Best-Performing CEOs in the World*

The ranking of the best-performing CEOs in the world published in the *Harvard Business Review* judges the performance of business leaders in a new way by focusing on objective metrics of long-term performance. It measures the return on shareholder investment and change in market capitalization over the CEO's entire time in office, rather than focusing on performance in the last year or the last quarter.

RANK	NAME	COMPANY	COUNTRY	INDUSTRY	START YEAR	END YEAR (IF RETIRED)	COUNTRY ADJ. TSR (%)	INDUSTRY ADJ. TSR (%)	MKT CAP CHANGE (\$BN)
1	STEVE JOBS	APPLE	UNITED STATES	INFORMATION TECHNOLOGY	1997		3,226	3,188	150
2	YUN JONG-YONG	SAMSUNG ELECTRONICS	SOUTH KOREA	INFORMATION TECHNOLOGY	1996	2008	1,559	1,458	127
3	ALEXEY B. MILLER	GAZPROM	RUSSIA	ENERGY	2001		2,032	2,427	101
4	JOHN T. CHAMBERS	CISCO SYSTEMS	UNITED STATES	INFORMATION TECHNOLOGY	1995		922	1,054	152
5	MUKESH D. AMBANI	RELIANCE INDUSTRIES	INDIA	ENERGY	2002		1,001	1,430	72
6	JOHN C. MARTIN	GILEAD SCIENCES	UNITED STATES	HEALTH CARE	1996		2,089	2,054	39
7	JEFFREY P. BEZOS	AMAZON.COM	UNITED STATES	RETAIL	1996		4,592	4,586	37
8	MARGARET C. WHITMAN	EBAY	UNITED STATES	INFORMATION TECHNOLOGY	1998	2008	1,434	1,368	37
9	ERIC E. SCHMIDT	GOOGLE	UNITED STATES	INFORMATION TECHNOLOGY	2001		387	344	101
10	HUGH GRANT	MONSANTO	UNITED STATES	MATERIALS	2003		684	572	35
11	ROBERT L. TILLMAN	LOWE'S	UNITED STATES	RETAIL	1996	2005	459	456	40
12	WILLIAM E. GREEHEY	VALERO ENERGY	UNITED STATES	ENERGY	1997	2005	613	525	33
13	GARETH DAVIS	IMPERIAL TOBACCO GROUP	UNITED KINGDOM	CONSUMER GOODS & SERVICES	1996		937	638	25
14	WILLIAM J. DOYLE	POTASHCORP	CANADA	MATERIALS	1999		651	939	24
15	BENJAMIN STEINBRUCH	COMPANHIA SIDERÚRGICA NACIONAL	BRAZIL	MATERIALS	2002		2,337	3,360	18
16	BART BECHT	RECKITT BENCKISER GROUP	UNITED KINGDOM	CONSUMER GOODS & SERVICES	1999		402	364	38
17	MASAHIRO SAKANE	KOMATSU	JAPAN	INDUSTRIALS	2003	2007	652	497	28
18	TERRY LEAHY	TESCO	UNITED KINGDOM	RETAIL	1997		309	307	47
19	JOHN W. THOMPSON	SYMANTEC	UNITED STATES	INFORMATION TECHNOLOGY	1999	2009	839	851	19
20	GRAHAM MACKAY	SABMILLER	UNITED KINGDOM	CONSUMER GOODS & SERVICES	1997		341	291	38

Source: Hansen Morten T., Ibarra Herminia, Peyer Urs, 'The Best-Performing CEOs in the World', *Harvard Business Review*, January–February 2010

**Exhibit 5**  
*Organic vs. Acquisition Growth 2000 to 2010*



Source: Company data, case writer analysis

**Reckitt Benckiser's Major Acquisitions**

Year	Company Acquired	Powerbrands
2006	Boots Healthcare International	Clearasil, Nurofen, Strepsils
2008	Adams Respiratory Therapeutics	Mucinex
2010	SSL International	Durex, Scholl

Source: Company data

**Exhibit 6**

*Reckitt Benckiser's 19 Powerbrands*

*Note that Dettol appears in both Household and Personal Care categories.*

Household			
			
Woolite	Vanish	Calgon	
			
Finish	Air Wick	Mortein	
			
Lysol	Dettol	Cillit Bang	Harpic

**Exhibit 6 (cont'd)**

**Personal Care**



Veet      Dettol      Clerasil      Scholl      Durex

**Health Care**



Strepsils      Mucinex      Nurofen      Gaviscon

**Food**

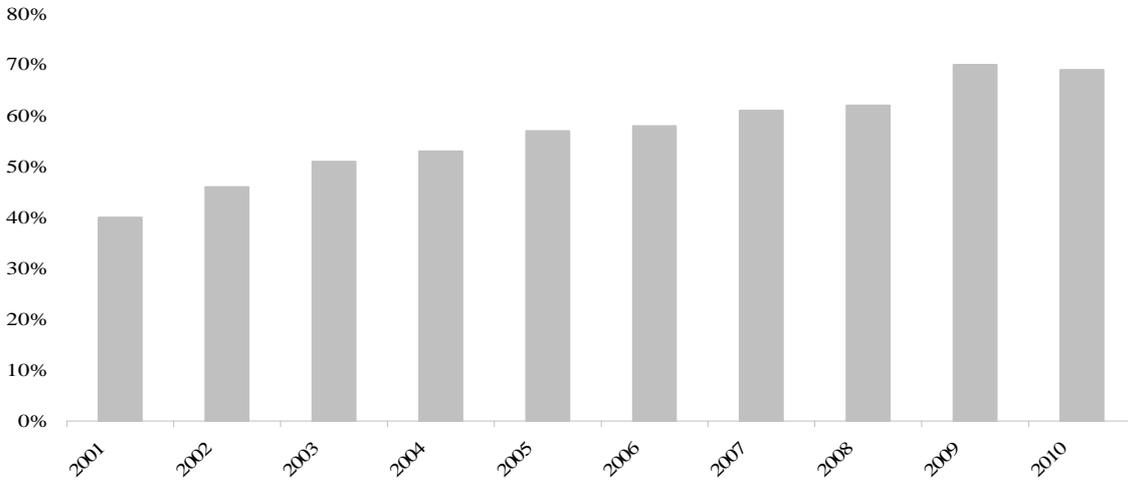


French's

Source: Company website

**Exhibit 7**  
*Powerbrands as Percentage of Net Revenue*

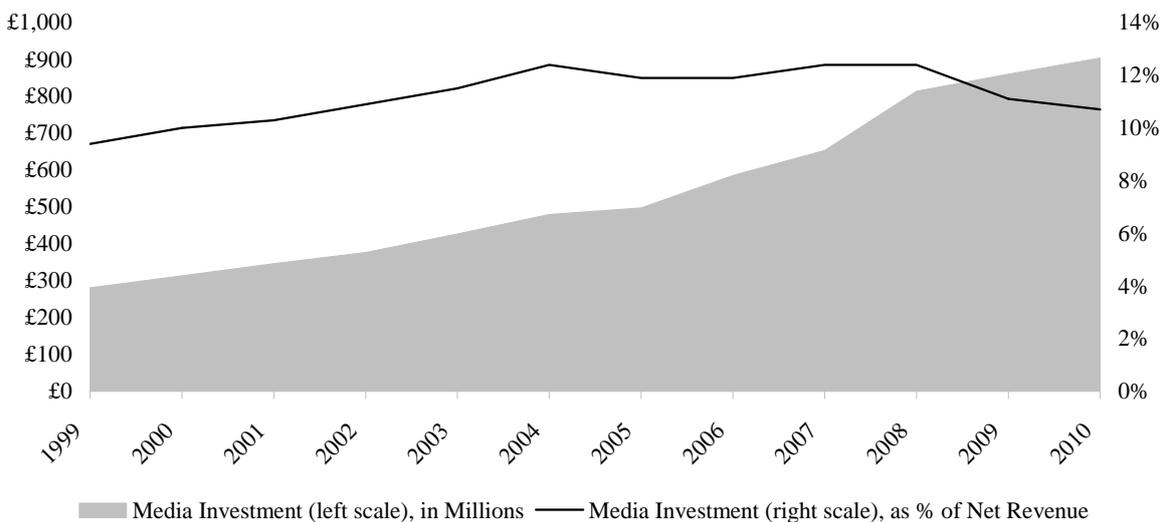
Net Revenue from Powerbrands 2001-2010, as % of Net Revenue



Source: Company data, analyst reports, case writer analysis

**Exhibit 8**  
*Media Investment*

Media Investment 1999-2010



Source: Company data, case writer analysis

## **Exhibit 9**

### *Top Management Biographies*

#### **Bart Becht**

Chief Executive Officer  
Age: 54  
Nationality: Dutch

Joined Benckiser in 1988 and served as General Manager in Canada, the UK, France and Italy before being appointed Chief Executive of Benckiser Detergents, subsequently Benckiser N.V., in 1995. He was appointed Chief Executive Officer of RB following the merger in December 1999. He was previously with Procter & Gamble both in the USA and Germany. Bart is an Executive Director of Reckitt Benckiser Group plc and Chairman of the Executive Committee.

#### **Freddy Caspers**

Executive Vice President, Developing Markets  
Age: 49  
Nationality: German

Freddy Caspers joined the company in January 1998 as EVP for Eastern Europe. He previously served at PepsiCo in several international marketing, sales and general management assignments in North-America, Poland, Eastern Europe and Middle East (Turkey). Prior to that, he started his international career in Johnson & Johnson in brand management and sales in Germany, Western Europe and North America in the toiletries, personal care and health care (OTC) categories.

#### **Liz Doherty**

Chief Financial Officer  
Nationality: British

Liz joined RB in January 2011. Before this, she was chief financial officer at Brambles Industries PLC for 2 years. With a market cap of Aus\$9.7bn, the supply chain company operates across 45 countries and is a top 25 Australian stock exchange quoted company. Prior to Brambles, Liz spent 7 years at Tesco PLC, initially as international finance director and later as group international finance director when her role was expanded to include corporate accounts, group tax and treasury. She joined Tesco after a 22 year career with Unilever PLC where she had various country, regional and corporate roles mainly in finance but also in the supply chain function. Liz has worked in Australia, Spain, the Netherlands and Thailand, as well as the UK. Liz was a non-executive director at SABMiller PLC from 2006-2010.

#### **Amedeo Fasano**

Executive Vice President, Supply  
Age: 49  
Nationality: Italian

Amedeo Fasano joined the company in 1997 as Supply Director Italy. After the merger with Reckitt & Colman he was appointed Manufacturing Director for Central, South Western and Southern Europe Regions. In 2002 he became Regional Supply Director North America and in 2003 SVP Supply NA and ANZ. In 2007 Amedeo took over the role as SVP Supply, Developing Markets. In March 2009 Amedeo was appointed as EVP Supply. Amedeo has responsibility of the global supply chain including procurement, manufacturing, warehousing and logistics. Also responsible for management of Squeeze and X-trim gross margin enhancement programs. Amedeo previously worked for Pirelli Tyres in multiple supply assignments in Italy, Argentina and the UK..

#### **Rob de Groot**

Executive Vice President, North America and Australia  
Age: 44  
Nationality: Dutch

Rob de Groot joined RB in 1988. His previous roles included Senior Vice President, Regional Director, Eastern Europe and most recently he was SVP, Global Category Officer for Surface Care, Dishwashing and Home Care. He was appointed EVP, North America and Australia on 25 July 2008.

**Salvatore Caizzone**

Executive Vice President, Europe  
Age: 45  
Nationality: Italian

Salvatore joined the business in 1996 as international sales overlay manager and was made sales director Italy in 1997. In 1999 he was promoted to general manager of the Russia, CIS and Baltics business, where he led the business for two and a half years before moving to the Africa & Middle East region, where he has been senior vice president for eight years. He was appointed EVP, Europe with effect from 1 May, 2010.

**Gareth Hill**

Senior Vice President, Information Services  
Age: 43  
Nationality: British/South African

Joined RB in October 2006. He was previously Information Systems Director at Arcadia Group Ltd since 2000, having joined as the e-Commerce Development Director. Prior to Arcadia, Gareth was at IBM UK Ltd, Rex Trueform Clothing Ltd in South Africa and Arthur Andersen. He is a qualified chartered accountant and has a BA in Commerce from the University of Cape Town, South Africa.

**Rakesh Kapoor**

Executive Vice President, Category Development  
Age: 52  
Nationality: Indian

Joined Reckitt & Colman in 1987, serving in various roles including Regional Sales Manager, North India, General Manager, Indian Southern Region and Regional Marketing Director, South Asia. In 1999, he was appointed Global Category Director, Pest Control. Following the merger, he assumed the role of, Senior Vice President, Home Care. He was appointed SVP, Regional Director, Northern Europe in 2001, and in July 2006, he was promoted to EVP, Category Development. Rakesh has the responsibility of global category management, research and development, media and market research.

**Simon Nash**

Senior Vice President, Human Resources  
Age: 48  
Nationality: British

Simon Nash joined RB in July 2009 from Novartis Consumer Health, where he was Global Head of Human Resources, based in Switzerland. He was with Novartis for nearly 10 years and initially led organization and leadership development for the group before taking on the HR leadership role for the consumer health division. Simon started his international career with P&G in Detergent Manufacturing, before moving into HR with Mars Confectionery in Slough. He moved to New York in 1993 with Kraft Foods International and then onto Chicago as HR Head of the office products subsidiary of Fortune Brands Inc.

Source: Company website

## Appendix

### Reckitt Benckiser's Sustainability Strategy

Some companies focus solely on package labelling, energy reductions in factories or employee travel in their quest for sustainability. But Reckitt Benckiser has looked at the larger picture. Their plan includes a two-pronged approach to sustainability: “greening” existing products and reducing the carbon footprint of a product’s total lifecycle. This pioneering “cradle to grave” approach makes them the first major FMCG company to measure the carbon impact of not only raw and packaging materials, manufacturing, logistics and distribution, but also consumer use.

#### 1. Reducing Chemicals: The Ingredient Removal Programs

To meet the growing consumer demand for less toxic ingredients in cleaning supplies, other household goods companies have chosen to develop organic cleaning lines. Instead of developing this niche area, RB chose a different tack: reducing chemicals in their existing products “from every product, everywhere”.

In 2002, RB began removing nitro and polycyclic musks from all formulations. Three years later, they removed Red Devil Lye (100% NaOH) from drain cleaner. The program expanded in 2006, with the removal of formaldehyde, dichlorvos, monoethylene glycol ethers and para-dichlorobenzene, followed in 2007 by brominated flame retardants and geranyl nitrile.

The company then targeted the removal of formaldehyde-donor preservatives and boron compounds, chloropyrifos, and then got rid of PVC from all household product packaging. Says Neil Snyder, director, global household regulatory, safety and environmental services:

*“We continue to develop a range of Ingredient Removal Programs, above and beyond local and national regulatory requirements. Our objective is to continually improve the environmental and safety profile of our products, by systematically removing specific ingredients from product formulas and packaging/device component specifications, where ‘better’ alternatives exist.”*

Periodically, RB acquires new products that contain ingredients that have already been removed from its existing global formulations. When this happens, the company initiates acquisition-specific ingredient removal programs to align these products with their portfolio of products and ingredients.

#### 2. From Cradle to Grave: Reducing Carbon Footprint

Reckitt Benckiser sought a clear strategy to reduce their total carbon footprint. Before they could develop one, however, they wanted to measure their footprint across the entire product life cycle. “This is very hard,” says Becht. “It took us two years to work with external consultants and internal dedicated people to actually measure where our carbon footprint is.”<sup>13</sup>

After coming up with a methodology, in 2009 they calculated their total carbon footprint to be 26.3m tonnes of CO<sub>2</sub> equivalents/year. The largest emissions contributor was consumer behaviour (71%), followed by raw and packaging materials (22%). They were surprised to learn that just 1.5% of the company’s total carbon footprint was produced within RB. “What sits in our own company, which is the manufacturing and distribution of the product is less than 3% of the total footprint,” says Becht. “It’s actually very, very small, and this is historically where we’ve worked on.”<sup>14</sup>

---

13 Becht, 2009 Sustainability conference, [www.youtube.com/watch?v=aWi5\\_Qag9vg](http://www.youtube.com/watch?v=aWi5_Qag9vg)

14 *Ibid.*



Source: Reckitt Benckiser Press Release 3 January 2011.

### Reducing Carbon Footprint: The Carbon 20 Initiative

Now that they had quantified their footprint, RB set a target of reducing it 20% by 2020. The Carbon20 Initiative, a key part of RB's sustainability strategy, focuses on two areas: decreasing consumer energy consumption and improving energy efficiency throughout manufacturing and operations.

### Educating the Consumer: Our Home, Our Planet

At 71%, consumer use represents the majority of RB's total carbon footprint. "The reason for that is very simple," says Becht. "We sell dishwasher detergents, so dishwashers need to run. We sell products for washing machines – washing machines need to run. Water is being used in the cleaning process. There is a lot of water and energy being used with our products."<sup>15</sup>

To change consumer behaviour, they developed a communications initiative to educate them about how to reduce their individual carbon footprint when using RB products. Our Home, Our Planet is an awareness campaign that appears on packages, company literature, and online that delivers easy ways to save energy and water when using RB products. "Consumers want to make steps but frequently don't know where to start," says Becht.<sup>16</sup> The campaign gives consumers simple tips to get started, like using lower washing temperatures and choosing not to pre-rinse your plates before loading them into the dishwasher.

### Tackling Manufacturing and Operations

Beyond its efforts to change consumer behaviour, the company has worked toward its environmental goals with these changes:

**Reduced energy consumption and improved energy efficiency.** The company switched to combined heat and power energy systems and installed solar-powered lighting and water heating in a number of factories and plants.

**Redesigned products to use fewer materials, less energy and less waste.** An example is the European Airwick Freshmatic, where plastic blister packs were replaced with recycled and recyclable cardboard packaging, which saves the equivalent of 2,430 tonnes of CO<sub>2</sub> a year in embedded energy. Another change is the new Vanish Eco-pack, which uses 70% less packaging than the original:

<sup>15</sup> Becht, 2009 Sustainability conference, [www.youtube.com/watch?v=aWi5\\_Qag9vg](http://www.youtube.com/watch?v=aWi5_Qag9vg)

<sup>16</sup> *Ibid.*

## Vanish €co Packs



Vanish re-sealable €co Packs, developed in 2008 as part of our Carbon20 programme (see page 5) and launched in early 2009, are:

- **€co-logical:** the improved package / product ratio = 70% less packaging than the original Vanish tub per 100g of powder
- **€co-nomical:** 10% more Vanish powder for the same price, funded by the savings we've made on packaging

Source: Reckitt Benckiser Sustainability Report 2008

**Refined Raw and Packaging Materials.** Spray triggers allow consumers to apply products directly to the affected area, which optimizes product use. RB, which sells approximately 100 million bottles of spray-trigger cleaners each year, worked with manufacturers to remove 266,000kg of metal and reduced 38,000kg of plastic from spray triggers annually.

**Updated Raw and Packaging Materials.** On one product, the company replaced plastic packaging with recycled cardboard packaging, avoiding 682 tonnes of plastic packaging each year.

**Partnered with Suppliers.** Since 2006, RB has participated in the Supply Chain Leadership Collaboration (SCLC) project, an initiative of the Carbon Disclosure Project, whereby they encourage suppliers to measure and manage their greenhouse gas emissions with the goal of reducing the “embedded” carbon in raw and packaging materials. RB conducts audits of both its own and suppliers’ facilities against the company’s Global Manufacturing Standard (GMS) using both independent, external auditors and internal auditors.

**Altered Product Distribution.** RB began using road transport with short sea shipping, railing together on the same journey and reducing “empty running” with two-way product distribution. To save gas, they combined “less than a truck load” (LTL) shipments from different companies. They also started using doubled-decked trailers, which can carry up to 67% more pallets per load than a comparable single-decked trailer. This change reduces CO<sub>2</sub> emissions up to 40% and takes up to one out of every three lorries off the road.

Although offsetting isn’t officially included in Carbon20, Reckitt Benckiser’s manufacturing facilities are currently carbon neutral, offsetting the amount of carbon they release by planting trees through their forestation program, Trees For Change. Since 2006, the company has funded an effort to plant more than five million trees, which will absorb over three million tonnes of CO<sub>2</sub> over the next 80-100 years.

## Meeting Its Targets

The company is meeting its targets: In its first year, 2008, Carbon20 achieved a quarter of its goal, delivering a 5.75% reduction of total carbon footprint — 30,000 tonnes of carbon. In the program's second year, 2009, RB achieved an additional 5.25% reduction for a total of 11%, reaching over half its goal in two years.

Reckitt Benckiser has garnered international recognition for its environmental progress. They were ranked in the top 12 by the 2009 and 2010 Carbon Disclosure Project Global 500 Report for carbon reduction performance, the only company in its sector. In the Carbon Disclosure Project 2011, Reckitt Benckiser was rated joint first in the Carbon Disclosure Project FTSE350 Report, and global sector leader in the Carbon Disclosure Project Global 500 Report. "Focusing on climate change is right for our business, right for our industry, and right for society," says Becht. "We still have a lot to do, and we will not slow in our drive to make progress."<sup>17</sup>

---

17 RB Press Release, "RB reaches half-way mark on carbon reduction target", January 3, 2011

To order INSEAD case studies please contact one of the three distributors below:

**ecch, UK and USA**

**Centrale de Cas et de Médias Pédagogiques**



**ecch UK Registered Office:**

[www.ecch.com](http://www.ecch.com)

Tel: +44 (0)1234 750903

Fax: +44 (0)1234 751125

E-mail: [ecch@ecch.com](mailto:ecch@ecch.com)

**ecch USA Registered Office:**

[www.ecch.com](http://www.ecch.com)

Tel: +1 781 239 5884

Fax: +1 781 239 5885

E-mail: [ecchusa@ecch.com](mailto:ecchusa@ecch.com)

[www.ccmp-publishing.com](http://www.ccmp-publishing.com)

Tel: 33 (0) 1.49.23.57.25

Fax: 33 (0) 1.49.23.57.41

E-mail: [ccmp@ccip.fr](mailto:ccmp@ccip.fr)

**INSEAD**

The Business School  
for the World®

**Europe Campus**

Boulevard de Constance

77305 Fontainebleau Cedex, France

Tel: 33 (0)1 60 72 40 00 Fax: 33 (0)1 60 74 55 00/01

[www.insead.edu](http://www.insead.edu)

**Asia Campus**

1 Ayer Rajah Avenue

Singapore 138676

Tel: 65 6799 5388 Fax: 65 6799 5399

**Middle East Campus**

Muroor Road – Street n°4 P.O. Box 48049

Abu Dhabi UAE

Tel: 971 2 446 0808 Fax: 971 2 446 0303