



CASCADING MUST-WIN BATTLES AT CARLSBERG

A text book case in corporate turnaround

By Professor Tom Malnight. (July, 2007)

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Just two years after its merger in 2001, Carlsberg went on to become the fastest growing beer brand in the world. Professor Tom Malnight and IMD's Tracey Keys show how Carlsberg Breweries rallied the entire organization behind its "must-win battles" to give them the edge...

By joining forces in 2001, Carlsberg and Orkla – now Carlsberg Breweries – achieved the critical mass they needed to broaden their distribution base and brand portfolio. But in an increasingly competitive industry, this was just the beginning of the journey.

Creating the vision and must-win battles I

In November 2002 the top management team met and agreed to focus on the critical battles they needed to win to achieve their objectives: their must-win battles. With the must-win battle (MWB) approach, defining strategic priorities is just part of the equation. It is equally important to align the leadership team and the organization to follow through and implement the strategy.

With this in mind, a team of 15 people drawn from across the business spent several days off-site debating not only the intellectual but the emotional dimensions of what it would take to succeed, including taboo subjects such as confronting underperformance and changing behaviors. By the end of the workshop, the team had agreed on six global must-win battles (MWBs).

To set things in motion, a major initiative was launched called The Way Ahead. This represented a major effort to cascade the global MWB agenda throughout the organization. It defined the Carlsberg mission and vision globally, set out must-win battles globally and by region, focused on a common culture and gave leadership ownership and accountability for executing the strategy.

It was backed up by a newsletter for the top 100 managers called ahead – a vehicle for sharing ideas, successes, progress on MWBs and learnings. Regional offsite workshops meant teams defined their own regional must-win battles, which would support the global MWBs, and how they could achieve them – quite an achievement given the previous autonomy of each country.

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This was followed up with an annual conference where senior management re-evaluated progress and re-affirmed commitment to the Carlsberg vision and its MWBs.

However in May 2003, Nils Andersen, Carlsberg's CEO, announced that Q1 2003 results were below market expectations. Steps were taken to focus on market performance and cost effectiveness alongside the MWBs and by August 2003 results were improving.

The impact of the cascading process

By the end of the year, Carlsberg Breweries saw significant progress in revenues and profits, and the company had outperformed its competition. So what were the key factors that led to this success?

1. Walking the talk

The top team was committed, active and vocally supportive of the new direction and vision. They put the process and the battles front and center in their regular meetings – the MWBs were the critical pillars for the future. The team also removed roadblocks, aligned resources with the efforts, and constantly communicated with the broader organization.

2. Communicating constantly on many levels

The monthly newsletter offered a rich and candid source of information – results, feedback, future challenges – from across the organization. The annual meeting allowed the top 120 or so managers to share progress on the MWB agendas, identify and focus the organization on the challenges ahead. Two-way informal conversations were also important. Executives talked about the changes underway, and what they meant. This personal approach helped to build motivation and demonstrate that the senior leaders were focused on the new agenda.

3. Maintaining a solid grip on reality

While success was celebrated and learnings were shared, challenges and disappointments were not avoided. By constantly evaluating progress, steps could be taken to shift the focus, as in 2003 following the disappointing Q1 results.

4. Embedding the MWB agenda in the core processes

The MWB agenda was also clearly embedded into the organization's core processes – and often overlooked part of the process. For example, the “develop people capabilities” MWB had defined new processes for building talent internally – the critical next generation of leaders. Part of this involved a new appraisal system for managers and aligning rewards and incentives with the new direction of the company, both strategic and in terms of behaviors and culture.

5. The personal commitment and ownership of the CEO

Nils Andersen's deep personal commitment to and ownership of the journey was critical. He embodied all the success factors above. It was not always easy; it required energy, tenacity, and at times courage, but personal accountability for Carlsberg's vision and battles was simply part of how he lived and worked.

Onwards and upwards

Launching its new strategy and MWBs at the start of 2006, Carlsberg's ambition is to be the leader in beer and beverages in the markets where it operates. The strategy is aggressive and ambitious. But as Nils Andersen says: “We have taken Carlsberg very far over the last five years. We now face a number of challenges. It is the Carlsberg leadership team's firm belief that this is the time to take the next step in our strategic journey.”

Nils Andersen is also taking the next step in his journey. Recognized for his success at Carlsberg, in June 2007 he was appointed as the new CEO of the A.P. Møller-Maersk Group.

This article is drawn from a chapter by Tom Malnight and Tracey Keys, in the recently published book “Being there even when you are not: Leading through strategy, structure, and systems.” Professor Malnight currently teaches on the Managing Corporate Resources (MCR), and the Orchestrating Winning Performance (OWP) programs.

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