

A History of Doing the Right Thing

An Interview with Kendall J. Powell,
Chairman of the Board and Chief Executive Officer, General Mills

EDITORS' NOTE In September 2007, Ken Powell became CEO of General Mills and Chairman of the Board in May of 2008. He was elected President and Chief Operating Officer of General Mills in June 2006. Powell joined General Mills in 1979 as a marketing assistant and advanced through a series of assignments of increasing responsibility including positions in the Yoplait, Betty Crocker, and Big G cereal divisions, as well as Cereal Partners Worldwide. Powell graduated from Harvard with a bachelor's degree in 1976 and earned his M.B.A. from Stanford in 1979.



Kendall J. Powell

COMPANY BRIEF General Mills operates in more than 100 countries and markets more than 100 consumer brands, including Cheerios, Häagen-Dazs, Nature Valley, Betty Crocker, Pillsbury, Green Giant, Old El Paso, Progresso, Yoplait, Cascadian Farm, Muir Glen, and others. The company (www.generalmills.com) is headquartered in Minneapolis, Minnesota.

How has General Mills been so successful in this challenging market?

It goes back to the business that we're in, and in particular, the portfolio of categories and brands that we have. Typically, food is a resilient business. We have high penetration in wonderful categories that are important to consumers and retailers, like breakfast cereal, healthy snack bars, soup, yogurt, and vegetables. These are strong, evergreen categories that respond well to innovation. And we have strong brand positions within those categories. Because of that brand and category strength, we have been a resilient and consistent performer throughout the recession.

Another big factor is that our products offer great value to consumers and this is an era where consumers are looking for value. Over the past decade, consumers have steadily moved toward having more of their meals in the home rather than outside of the home; there is greater value in food at home. There have been a number of trends like that, which have allowed us to perform consistently.

We have performed consistently in an environment where input costs are rising. The prices of oil, wheat, grains, and packaging have been rising at a mid-single-digit rate for the better part of a decade – 4 to 6 percent a year. That is

a strong contrast to the previous 20 or 30 years where we had a benign input cost environment. The reason we have this inflation is because of globalization and increased global demand for these inputs.

Another important factor to the success of General Mills is that we recognized that we were entering a period of structurally higher inflation that it is not cyclical. We took action as a company to become better in product sourcing, continuous improvement, and waste elimination. That has

helped us absorb the impact of much of this inflation in our supply chain. And it enabled us to maintain our margins, and invest in innovation and brand building during a tough time of cost inflation.

When your brands are the leaders in their spaces, how important is it to not lose your edge in innovation and how critical is it to maintain your investment in innovation?

It's vital. Consumer preferences are changing, so the channel environment is changing. Different channels have different needs in terms of the way we configure our products.

In terms of innovation, there is core brand renovation where, for instance, over the past 10 years, we have made all of our cereals with whole grain. General Mills cereals are now the leading source of whole grain at breakfast in American diets. We have also reduced sugar and sodium in our cereals. Consumers value these health improvements, which has allowed us to differentiate our portfolio in a positive way.

We've also had a strong track record of introducing new products over the past several years, many

that have been \$100 million in sales or more. For example, Progresso Light Soups, which capitalize on the weight management health trend, is nearly a \$200-million business. Also, our grain snack business with the launch of Fiber One bars is now several hundred million dollars – and that business didn't exist a few years ago.

So core brand renovation is an ongoing process and very important, but the new products have also been quite important to our topline growth.

How critical is corporate responsibility and engagement to General Mills and how do you maintain that during challenging times?

Our commitment to engaging and supporting the communities where we live and work goes back many years. In the 1880s, we had a famous mill explosion a few miles from our offices on the banks of the Mississippi, which was related to grain dust, and a lot of employees were killed. The then leaders of General Mills established an orphanage for all the children who lost their parents; took care of the widows; and invested in filtering systems to clean out the dust to prevent a recurrence. They shared all of that technology with the other millers in the industry, based on the notion this was not a



Workers at the Project Peanut Butter facility in Malawi. Partners in Food Solutions shared its expertise with Project Peanut Butter making an immediate impact by leveraging its global network to connect Project Peanut Butter with a new ingredient supplier. This saved Project Peanut Butter approximately \$200,000 that it could then reinvest in its program.

competitive issue. Our history of doing right by the community goes back to that event. Over the years, we have felt that helping to build communities, particularly supporting schools and cultural opportunities, makes the communities where we operate places where people want to live and work. In the long run, it's good for us.

Also, our employees have other values today beyond performing well. One of them is the sustainability of our products and making sure we are good stewards of the environment, and there are many ways we can do that. Another value is our support and interest in food insecurity, because we're uniquely positioned to help those who don't get enough food.

We have a number of values that are important to us and our employees, so we help our employees live those values. We find their commitment to the company and their pride in the company goes up, which is good for business too.

Is it important to focus your efforts on issues that have some relation to the business?

We have chosen areas of focus that are consistent with our company mission, but they're not all directly a part of our business strategy.

Our belief in making communities stronger over the long term is in an indirect way to do good for our company, but that's not directly related to immediate business strategy. The fact that people want to live in Minneapolis and want to live in other communities around the country where we do business is beneficial to us.

Being a good steward of the environment, we have specific goals around our energy and water usage, as well as waste. I wouldn't call that directly related to product strategy, but it's the right thing to do. It's also clear there is a lot of overlap between innovating around sustainability and taking waste and cost out of the business.

Food insecurity is a purely philanthropic activity for us, but it's easy to understand why it's an issue we care about. We can donate food and facilitate getting food to food banks on a large scale in the U.S. because of the business we're in.

Through technology transfer, we're supporting a number of small companies in sub-Saharan Africa – trying to help them grow. That's purely technical philanthropy. It's not directly related to our core business strategy, but it's something we strongly feel we should do, because there are only a handful of companies that can do it. For that particular initiative, we have set up an organization called Partners in Food Solutions. Employees who have touched these small food processors in Africa feel highly rewarded by the opportunity to share their knowledge and have an impact. We help them live their values and it reinforces their commitment to General Mills.

On the philanthropic side, is it important to put metrics in place to track impact?

We are a metric-driven company and in most cases, we are able to measure impact. For health improvements, we have very clear metrics on how we're improving our products over time. We've tracked our improvements for many years through our proprietary Health Metric, created by the General Mills Bell Institute of Health &



Small-holder farmers in Malawi. In assisting small- and medium-sized food processors, Partners in Food Solutions is creating new and better markets for the crops of small-holder farmers like these women in Malawi.

Nutrition, to drive and measure the company's progress in the areas of nutrition and health.

On the sustainability side, it's easy to measure if we've reduced our water usage, energy or packaging waste by the amount we targeted. We also report externally how we've done on sustainability metrics and some years are better than others as we make progress towards our long-term goal. But it's important to tell people what we're trying to do and be transparent about the progress we're making year to year.

Community building can be harder to measure, but we look at the communities where we live and the impact our commitment is having, and we make a judgment that it is having an impact.

There are also very clear metrics around the food insecurity work we do.

General Mills has a very strong global footprint. Is the focus for these efforts directed toward global markets or is it looked at more regionally?

These activities are related to our mission, so we want this to be global. The reality is that 10 or 12 years ago, less than 5 percent of our business was outside the U.S., so many of our philanthropic activities, strategies, and instincts grew as a result of our operations in the U.S. Today, 25 percent of our business is outside the U.S. and we're seeing our philanthropic spending increase outside the U.S. We're also seeing employee volunteerism, which is a key part of the General Mills culture, rise to where more than 80 percent of our employees volunteer in the U.S. and we're heavily encouraging that concept abroad.

How valuable has your experience been living and working abroad for so many years?

It's invaluable. I have seen how rapidly globalization is occurring and have learned firsthand how to approach different markets. More than half of our General Mills employee base consists of people who work outside the

U.S. So we're becoming very global in that regard. And the number of Americans living and working abroad continues to go up.

There are many employees who have been here for much of their careers. What is the secret to retention at General Mills?

The company has done a good job of building strong brands in important and meaningful categories over a long period of time. That has given our business a resiliency and consistency of performance that is attractive to employees. They realize we're not a boom-and-bust company. We innovate consistently over time, we have good business disciplines, and we're big and broad in enough categories so there is a diversity of opportunity that is available, meaning employees can stretch themselves. Also, the increasing opportunities, including career development, made available as a result of globalization, are attractive.

Also, General Mills is a company with a very strong set of values, which goes back to the way the company responded to the tragic mill explosion in the 1880s. We want employees to do the right thing and we reinforce that in every way we can, all the time. We've created an environment that is collaborative with high integrity, so employees know we're never going to ask them to do something they know isn't right.

As you have grown within the business, has it been tough to step back when it comes to how you'd like to see things done?

You have to do it. People are crucial to this enterprise, so we're investing in their training and development, which makes us one of the best companies for leadership development. But it also means that if you're a leader anywhere within the company, the depth of talent is impressive. So you want to take advantage of that expertise and you do it by shaping the mission and key strategies, and then by getting out of the way so talented people can do their jobs. ●