CARLOS BRITO OPENING

Good morning, great.
So, when I started here on the first day, which seems like ages ago... I introduced the event by saying okay we’re going to talk about first how this company of today of ours is different than three years ago, when we last met you in China for this event, so we talked about the company.

Then we said, okay why in Africa? Right, and we said, beer category and what we see in terms of category and what can be done, opportunities for growth and then capabilities that we needed to build in order to be able to activate those growth opportunities. And a lot of what you had been seeing here during this two and a half days is all about these capabilities, things that we’re bringing to the fore and best practice events that you’ll see now, is more of that, and using a very ABI way of doing things, which is this science fair and the whole thing about best practice sharing, quick implementation, quick scale up.

So, I thought that before you go there because we’ve been talking about so many things that are opportunities and capabilities that we’re building and things that we’re changing, I thought I would talk to you about things that are not changing, things that are really fundamental to us, things that are a part of our DNA and that are the core of all those things that we do, and that we have done, and in our view that we’ll continue to do and that’s our Dream, People, Culture, platform. Then I’ll try to illustrate to you how important that is and how that connects to a lot of the things that you’ve see us doing and that you’ll continue to see us doing.
So, when we started this journey thirty years ago, 1989 to be precise, well almost thirty years ago, our founders, they had a pretty clear view of what they wanted the company to be and how they wanted the company to prosper. And in their minds, I mean the only thing, the only sustainable, competitive sustainable advantage that was really, as the name says sustainable, was really the people and the culture we would develop in a place, that was the only thing, everything else could be a copy.

So, if whoever comes here and show a high ball, we are very excited about it, we’re going to scale up this fast, as this gets more and more success, other people will copy. That’s the nature of the business, right? And of course, you’d try to be ahead of all that and then you’d have to fight in the marketplace, but these things can be a copy, it takes three months, six months, a year, two years, at some point people will catch up, if you have a good idea of when you’re going to do it. Well we always thought that this thing that you don’t see, which is the people, the culture, the values set, it’s something that’s very hard for people to put their hands on because it’s one of those invisible things, that it’s there but you don’t see it. And we think it’s a secret sauce of our company, and it’s so much so, that we always say jokingly, it’s a secret sauce but if you go to our website it’s all there because of the ten principles, right, we named it the ten principles. And we’re not afraid of showcasing it because we know that the issue’s not to talk about the principles, the issue’s to… the real deal is to live them on a daily basis. I always say that our principles is like staying fit, I mean we all know what we need to do to stay fit but how many of us do it on a daily basis, right? I for one don’t do it on a day basis, but I mean, we all know we have to eat reasonably well, we don’t have to be a fanatic and you have to do some minimum, ten, fifteen minutes here and there or twenty minutes three of four times a week, and you’ll be in good shape. But it’s tough, right? Because we start travelling and then there are different demands and all of a sudden we got off our routine and for three months we don’t do anything, and then we try to buy a book on the Miami Diet and then we’ll go back, and then three months later once the Miami Diet is over, you go back to old habits and that’s the back and forth, right?

So, the big thing is really… the simples, the concepts are always very simple. The hard thing is to live them on a daily basis because there are so many distractions. So, the whole idea we’d started with way back when, was this idea that again everything I’m going to say here is very
simple but I’ll give you examples on how things can get off track and our experience in bringing them on track again because I think there’s something we’ve been accumulating all those years and I think it’s at the... really at the core of what we are as company.

So, for example, one of the things we started with thirty years ago was this idea that it’s very simple, that myself, my colleagues, and two hundred thousand people today, we are the company, that’s a very simple idea, right? I mean, there’s no such a thing as AB InBev, there is two hundred thousand people, we are AB InBev, right? To get like real consumers and everything, but I mean in terms of our group, that’s it. And in a lot of companies that’s not the way people think about the company. People believe that there is a company somewhere and if there is an opportunity you are an issue to be resolved, they will tell us what to do, let’s wait for they to tell us what to do. There’s not such a thing. There’s no dark room with they you know, the company and you slip a question or a problem you have underneath the door and there it comes, an answer and you go and happily execute. And then, we try to tell our people that the company only moves if we move.

So, if we’re learning, if we’re excited, and if we’re all moving the same direction, and if we understand why things are being done, if we’re all building great teams, and if we believe in the power of people and the power of the group because we are the company, then we might have a [inaudible 00:06:01] class company.

This is one important ingredient and it’s not the only one, it’s necessary but not sufficient, you need other things, right? So, we always thought it with this idea that because we are the company, we need to think about what human beings, talented human beings like and the kind of groups they like to join and stay, more importantly than join, stay. So, for example, one of the things we say is that human beings, they understand the meaning of dream, so in our company we don’t have a mission, vision, we don’t have any of those things because all those things you have to after you say our mission, you put a comma, you explain what mission is, you put another comma and then you state the mission.
The same with vision, I could never understand the difference between mission and vision. But, when you say to a group of people dream, we all know what we’re talking about, it’s something that’s aspirational, something that’s worth fighting for, that it’s hard but gets you motivated, gets you out of bed Monday morning when and it’s cold outside. We all know what a dream is, and it’s by definition stretched, right? For that laid great people because only great people will be excited about the great dream, right? Great people understand that life’s too short for everything we all want to accomplish. So, having a great dream is something that will enable us to if all the things go well, to build the best in class company, so twenty years from now, thirty years from now, we can look back and say hey I have my name there, I was a part of that, I’m proud of that, we built something that’s really the best in class. And in the company, in our environment, we tried creating an environment in which people come and they have the right environment to really get their potential and put it to work because we also think it’s very sad since we only live once and life’s too short for everything we want to accomplish, to be in a place that’s so rigid that you don’t have the opportunity to put your best of you to work and showcase that and learn about that. So, a lot of the things I’ll be talking about here is about this, so again, a big dream, the best people, in a sheared mindset that we call culture, that will this people when they are making decisions around the world because they’ll be making different decisions because they are different people but at least the basis on which those decision are being based on, are things that we as a group have agreed are important to us. So, one of the things for example, and I’ll come back to that, on the culture piece that’s very important, is this very idea of ownership because we are the company, we try to create an environment that emulates this very idea that it’s our company.

So, we believe that owners for example, make better decisions than professionals or executives. We hate professionals and executives, we love owners. So, we try to create an environment where people self-select. So, when I go to colleges for example and I do recruiting myself together with colleagues, we have colleges that are assigned to me and colleges that are assigned to Miguel, Philip, to Pete and to Ricardo, and we go to colleges ourselves to talk to undergrads because that’s our most important source of talent in our company. We rarely go to the market to hire somebody who has ten years, fifteen years, twenty years of experience and bring it to the company. We do it from time to time, but ninety percent of people that join our company, join through college programs, be it trainee, GMBA,
talent programme, we have different programs. The GMT Program or the Global Management Trainee Program, has been in our company now for its twenty-ninth edition, so since day one. And we do that because we believe that people as they joined our company out of college, they’re much more likely to embrace what’s important to us, and if they like it they’ll stay, if they don’t like it then they’ll go because those things won’t change, as opposed to people that have twenty years of experience out there. So, when I go to colleges it’s interesting, because I go to college and I talk about our ten principles and I can see in the eyes of the people that everybody’s excited alright, who cannot be excited about a big dream, a partnership, meritocracy, candour, purpose into what we do and all those things, right? But at the end I... I always at the end I say things that my people, guys want to kill me sometimes because I say, guys as excited as it can sound, most people don’t like to work for companies like ours, and then everybody’s like, wow why not? Well, because a lot of the things we say are exciting when they work for you, so meritocracy for example, meritocracy is an amazing thing, I mean we say meritocracy is this very idea that the very best people will progress much faster, will have more exposure, will have more opportunity to develop, will have more wealth creation going their way, that’s meritocracy, right? The other day when I was living in Belgium, many years ago, I knew a couple through our kids in school and all that, knew a couple that both of them used to work for a big American multinational company, I won’t say the name, but that had a big European head quarters in Brussels. So, we knew them, Heidi and Max, the one was Italian and the other was an American lady and both worked for the same company. And one day we were having dinner, my wife and I, and the two of them, and all of a sudden you know, the two ladies went to the bathroom and the two of us were left alone at the table, and then he came to me and said, hey Brito you know that Heidi and I work for the same company, right? I said yeah no, yeah, I know, cool interesting. And then he said, but I don’t know if you know that she’s ahead professionally, so I’m, well cool, interesting, yes interesting data point, cool. Then I’m saying man where is this going? And he said, yeah and the interesting thing in our company, he was saying is that she will always be ahead of me. Then I got interested, I said, but wait a minute, but how do you know that, I mean you don’t have a crystal ball, how do you know that? Oh no, I know that because she’s class of 1992 and I’m class of 1996, so she’s four years ahead of me and her class will tend to advance always ahead of our class you know, unless you did something really strange, stupid, she’ll always be ahead of me. And then I was happy because the ladies came back from the bathroom before I needed to
react, because inside of me I said, man how sad. How sad to be in a company that no matter how you know, how different you are, you can have more potential, you can deliver more, you can have everything more, you can build amazing teams, you can be a culture ambassador. You can be all those things, but because of four years difference that you cannot solve that, you cannot solve for that, that’s a fact, you’ll join the company four years later, you’ll always be behind that other person. In our company we don’t have that. It’s because we learned that a lot of companies attract very great talent, but they lose them, and we made appoint since day one of trying to understand what keeps talented people in a group, and that’s what I’ll like to talk to you about. Because when I go to colleges and I talk about all this, people say well I love meritocracy, as long as... I’ll say yes you love meritocracy, as long as it’s you, right? I mean if I promote Lauren out of Philippi, and Philippi says babe I’ve been here for twenty-nine years and Lauren has been here for ten years, well Philippi that’s not seniority, that would be seniority, that’s [inaudible 00:13:39] meritocracy, right? So, there are many things out there. And I’d always say, when I go to college I’d always say, you guys I’ve been on your spot before you know, on the other side of this table you know, and I’ve heard companies come here and pitch sometimes something very similar as other companies, and I’m here to say, we’re here to attract the very best from you, and I’m sure all companies say the same thing. I’ve never seen in my years of college, listening to presentations from companies, that a company would come here and say, well we are ABC company, that’s what we do for a business, those are our values and guess what, we’re here to get to know you better and we would like to hire, and attract, and retain, the very average of you. So, if you fit that bill, please come talk to us, we’re very interested in talking to the very average of you. And you never hear that, right? But what we do, is we go out of our way to try to earlier on in this college conversations via university scouts that we have to identify those people that are similar to our culture and high potential. So, I will talk to a hundred and fifty to a hundred, three hundred people, five hundred people about our drinkable culture, we never talk about what we do or about the... I talk about how we do things because that’s why we want to try and self-select people. If you’re excited about those things, come talk to us, if you’re not, don’t waste your time, right? And then the scouts would tell me, one of the eight people, we should have a happy hour after that big group because those are the people we should target. And this [inaudible 00:15:14] they work with clubs because all these universities, colleges, they have the NA club, they have the real estate club, they have the entrepreneur club, they have this and that, the Latin American club. So, we work together with clubs, we work together with professors, some say I don’t want to be a part of this but some
professors... like for example professor call me to Columbia to talk about our company, I say I’ll go as long as you give me the five top guys of your class, give me that information because that information for me is key. And then I’ll hit those guys, I’ll invite them to come to our office, to have a happy hour, but give me... give me the [inaudible 00:15:52] list, give me the five top guys that fit the bill. So, we try to... we don’t think our culture’s one, in which we believe that there’s always people out there that does it better than we do, in every dimension. That’s why we built our company by copying things from everybody. Sometimes we call it benchmarking, sometimes we call it copy [inaudible 00:16:14], but the idea is this, we copy. So, we visit companies all the time and all the time we visit companies, we are trying... for example logistics, I mean if I want to get better logistics because we have tons of trucks and stuff but that’s not our core business, core business is building brands, and selling brands, and people machine that we have, but we need trucks and products to circulate, I’ll go visit Amazon, FedEx, Walmart. And we can get visits, it’s a small world out there, everybody knows somebody, there are flyers, there are customers or something, of course visiting competitors, that’s life. And go you there and you visit, then you come back and you say hey guess what, one this metric they’re here and we’re here, that’s what we call a gap. So, in our culture, that’s what moves you know targets, that’s what moves compensation, and the whole thing’s based on that. The only purpose why management exists in our view, is to open gaps and close gaps. I mean when one of the companies that we joined, again I won’t say the name, but one of the companies that we joined, the six or seven big multinational transactions with them in doing this kind of conversation with them, I noticed that this idea of gaps was an idea that for them was a bad name because the equate that to problems and if I’m a manger from the business unit, I don’t want to tell you I have problems in my business unit because you would think I’m a bad manager. And we came with this message like the new testament you know, for some of others depending on their religion bit I’m Catholic, so the new testament is saying, hey I’m here to liberate you know, this idea of gap opening is a good thing, as long as you close them. Right? If you just open gaps and you never close them, then it’s a bad idea. But also, if you tell me you have no gaps in your business unit, sorry but my automatic reaction will be, then I don’t need you because the only reasons why we’re here as management, is to open gaps and close gaps because that’s the way you create value. And the session you’re going to see after this is exactly about this, it’s going to be about capabilities and the gap opening exercise, and this is the language of the company, gap opening, gap closing. Right? So, again going back to the talent and how we keep them, we... the only thing we try to be a bit better than other companies, we don’t consider we’re better than other companies in most things, that’s why we visit them to learn from them but the one thing we try to spend more time on, was
how to retain talented people. Because again, not company goes to a college and say, we’re here to hire the very average, everybody wants the very best but a lot of companies will get these people in, and two years later they’ll be back in the market, and you spent a lot of time training and a lot of time doing these things, and then you lose them. And we learned a couple of things, we learned that talented people like a few things, one of them I already mentioned meritocracy which is something that again, is very easy you to slip. Picture yourself, you’re the business unit leader or our country leader or zone leader Ricardo, and he has a vacancy and all of a sudden, he has to make a people decision, right? Which is the most important decision a leader has to do, people decision, together with strategy, options, together with resource of location but if you don’t have the right guy leading that business unit forget it, you can throw money at it, you can do lots of things because that guy will not build a great team, that guy will not be able to inspire that team and that guy won’t have the sense of urgency, and therefore everything will be suboptimal. So, people decisions are very important. But, look at this example, Ricardo’s about to make a decision between John and Mary, and John has been with the company for twenty years, a guy great, has an amazing network in the company, makes sure everybody knows that he has kids in college, that it’s a bit constrained in terms of the budget, so a promotion would come in nicely and that he’s been in the company for all those years. And then you have Mary who’s been with the company for three years, an amazing person, amazing potential, and has delivered in three years more than a lot of people in ten years and she’s hungry and ambitious you know and she works together with others, build great teams, inspire teams, delivers, culture ambassador, attracts great people, and John is more of a normal guy. If you don’t watch out you’re going to have that pressure built, even our culture sometimes because we’re not perfect, that [inaudible 00:20:50] it’s John’s [inaudible 00:20:50] right? I mean Mary has... she’s young I mean she has her whole life ahead of her and John has been here for twenty, twenty-five years you know. And if you start doing those decisions based on that kind of you know rational, you say something, but you do something else, then you promote John, the Marys of the company, the second time you do this, they will leave. And what we see in the marker all the time is that people that are very talented, they can always find an amazing opportunity elsewhere, in any market, bull and bear market, any market because they are great and great people are always in short supply, always. But mediocre people are always there, and they are everywhere. Right? And if you don’t have a big discipline and you start allowing John to stay in the company you know, John will attract more Johns because people with mediocre average, they like to work with people that are average, they don’t like to be challenged. People that are talented, they like to be challenged, they build teams that are better than themselves because they know that’s the way to
get to targets, to create value, to... by getting challenged to learn and progress, but you need to be confident to have a team that challenges you and that’s part of our culture, to be challenged. I remember for example, every March we have a global leadership meeting, so we bring a hundred and twenty, a hundred and thirty, another company grew a hundred and fifty of the top leaders of the company, every March in a different market. [Inaudible 00:22:31] to showcase something that that market has to teach us but also to talk about the business, I always talk about drinkable culture with more... with examples that are more up to date and we have different group works and stuff. And I remember one day we did in Mexico, I think five years ago, I invited an American former CEO of a big company Steve, so I gave half of it so Steve, and Steve has been the CEO of this huge company and he’s been in many boards since, so he has a lot of knowledge about how corporations work, how big companies work and he’s a big friend of our company, and I get along well with him. So, I said, Steve why don’t you come to our global leadership meeting and you tell us you know, he’s a former marine, so very disciplined, you tell us what you think at the end you know, comparing to other companies that you have exposure to. What are the things, we are on top of things, what are the things we are behind? Ways of you know, leading the event, ways of spending out time at the event, just give us a general feel and I’ll call you two weeks later, how does that sound? And he said, great, so he came to our event and you know, he did all the things with us. Two weeks later I called Steve, and he had, very disciplined and he had a list of things, positives, negatives, things that we could do better but one thing he said that for him was like something very different, he said Brito you know, in that Q and A that you did with your people you know, and I’ve been to many of those conventions, I’ve been to many Q and A’s where CEOs do Q and A’s, I’ve never seen a CEO as exposed as you were in that Q and A. Because in all those Q and A’s you were saying you know the companies are very predictable because the CEO knows the questions already, then the questions are given to people as if it was a random question and everything, everybody believes or likes to believe it’s all natural, organic, right? Gluten free organic but it’s not, and you know you had questions that were true questions and people were giving you a hard time, they were challenging you, you know on many things from people decisions, to business decisions, to bureaucracy in the company, they were really giving you a hard time on gaps in general. I never see you, a CEO, so exposed. And I said, but Steve, this is our culture, our culture is exactly that. They would try not to be personal, it’s all about the business. So, if people were challenging me, it’s not because they wanted me to go down or back stab me or anything like that you know, they want the business to be in a better place. There’s one thing I always tell my colleagues that I adopt to try to keep our heads focused and clean, which is this idea that I say, and I learned that from other colleagues of mine earlier
on, I never go home with a work related problem, I go home with a market related problem, consumer related problem, twenty-four seven. So, if we’re not doing well in this market, that’s something that’s always with me and my colleagues as well because we’re owners, right? But if Miguel said something in a meeting that I quite didn’t like it, or didn’t understand, or vice versa, I won’t go home with that, after the meeting I would say Miguel come here you know, you said this, can we talk for ten minutes, and we’ll settle. In my mind we’ll again be free because if I don’t settle that, the next time he says something, then I’ll say ah ha he’s coming after me, there is a plan, he’s coming after me. You know, and all of a sudden, I have half my mind dedicated to this whole hidden agenda and this whole conspiracy theory that really doesn’t exist, it never existed but because of a misunderstanding that got me in that wrong path, right? So, that’s why, in the company we have open layouts, that’s one of the reasons, we don’t want closed doors, nobody has closed doors, I sit at the table with my direct reports around me you know, when I talk on the phone, they overhear my conversation, vice versa. We have lots of interactions that are not in an outlook agenda because we cross each other in the corridors, we sit in front of each other, so two-minute interactions, three-minute interactions and people are updated, information flows, I’ll give you another example. I remember when we came from Belgium, we decided to, when we did the AB transaction or business combination and we moved our… some of our functions from Belgium to New York right, and a lot of people in Belgium felt left behind because myself and other colleagues would be moving to New York, of course we’d continue to have a desk in Belgium because that’s out headquarters, but a lot of the frontline people would be in New York because of the US Army market. It made sense compared to Belgium that’s very small, as the company grew it became even smaller. So, I had meetings to talk about that transition, so our colleagues in Belgium that would be… would stay in Belgium would not feel left behind. I went to the first meeting, I went to the second meeting, then at the third meeting I had to travel, I didn’t think it was worth to delay the whole process, so I said, no have the meeting then I’ll you know, let me know happened and then on the next meeting I’ll be there. So, two days later, I didn’t participate in that meeting and come back to my office, to our office, to my table to open layout and an assistant from the finance department, from Philippi’s department, comes to me, Sophie and she says Brito you know, we felt very left behind by your absence in our third meeting because if you’re not there it means it’s not important to you and for us it was very important because you know we’re going to be here and you guys are going to be gone. So, that didn’t you know, a lot of people felt that, and I no Sophie, sorry I mean I had to travel, I mean it was with the best intentions that I just wanted the process to continue to move, so to take anxiety off the table but make sure I mean, you can be sure I’ll be there in the next meeting. So, the next meeting
to took place... so I mean she was free to come to my desk and tell me how she felt. The next meeting took place, and she didn’t show up, I made sure, I looked in the crowd and I said okay she’s not here and then a day later when she showed up again to the office, I went to her desk and said Sophie you know, this time around you didn’t show up and I feel maybe it’s not important to you or something. And she said, no, no, no, no, because I had a problem with my kid and stuff, I had to go to the school to [inaudible 00:29:12] and I couldn’t show up, I said, no, no, no, no, I’m just saying I noticed that you’re not there but no problem we’ll have another meeting, the final meeting and we’re all going to be there. But I’m telling you all these stories just to show, that in our company this whole idea of informality is a big one. And that with meritocracy is another thing that talented people like, they like to speak up, to ask questions, to challenge, to give ideas, and that’s an environmental create, again mediocre people would hate that, they love to be behind a door in their office closed down and nobody knows what they’re doing. In an open layout, everybody’s exposed, myself, my colleagues, it’s a two-way exposure, no place to hide and you get to know people much better, alright. The third thing is candour, that’s what people like, people that are talented, they want to know where they stand, candour. So, in our company for example, feedback sessions are taken very seriously, and you tell people what they need to hear not what they would like to hear, both ways. So, I do it twice a year formally, always an hour and a half because in our experience ninety minutes is what you need to really get to the bottom of things, what’s working and then we focus mostly on what’s not working and how we can solve it together. ZX was born from this. In 2014, the board does that with me as well. I do that with my direct reports and so on and so forth, and the board did that with me in 2014, as they do every year. We were in Korea because our board travels, we were in Korea and I always write a one pager, a self-evaluation, I give it to the board, they do... have a subcommittee, they look at my self-evaluation and give me feedback. And in Korea they talked to me and said Brito you know what, yes we read your things here, what’s going well, not going well, we agree on the things that you think you’re doing well but we’d like to add to the pile of things you said that could be going better, a couple of other things. So, in other words, this three or four things are going well, this ten things are not going well. We’re too slow, the market’s going much faster and we need to speed up. And I heard that, and I said, okay man [inaudible 00:31:36] you know after all those years I still have to... I missed so many points you know, and then I went you know, slept over it, the next day called my team as I always do and I said, this is the feedback I got, these is the things that are working and all these things are not going well, and a long story short, we decided it was time to create ZX because a lot of the things that were not going well, we the things that Pedro just showed here. But I mean, this idea of candour, is something that we treasure and I also tell people
when I go again to colleges and people say in the Q and A session, hey Brito what’s the advice you give us to progress in a company, well how did you get to your position and all that, I would say guys, all the obvious things. You know I love what I do, you know I might work hard, I was lucky to be in the right place at the right time, but the most important thing was feedback. I had bosses and here in the company, and tend to be our culture, and they were bosses that were truly interested in my success and they were willing to tell me things that I needed to hear I a constructive and respectful way, but tough you know, and I had many of those, and that’s why... and I was not stupid so I listened because a lot of people sometimes say, well I got the feedback but you know what, this was not correct, this I don’t agree, this was totally unfair. And I said okay but from the feedback got, what’s the percentage you think was appropriate or accurate? Oh eighty percent. And I said, that’s great, eighty percent, take the eighty percent and do something about it and forget the other twenty you know, prove them wrong, but do something with the eighty percent, and that’s what we do in the company. So, this whole idea of candour, I remember one of the companies we did a business combination some years ago, I remember the company was not doing very well, I mean not in terms of failing or anything, it was not a failed state but was not growing or things, and they were being criticised. And I got there, and I said, as we always do, and I said, okay can I get that, do you guys have a performance evaluation system that’s like formalised? Oh yes, we do. Can I have access to the top fifty guys in the company, just so I prepare for my interviews with them? They said, yes sure. And then I look at the fifty guys and everybody was a top performer, five star, everybody was a five star, and I get to the people guy and I said, well but you know, if everybody’s a five star and the company’s not doing that well, how does that connect? And long story short, what I saw, was a culture in which candour was not supported and not appreciated. So, there was not room for you to be honest with people, everybody was stabbing people in the back, and we always thing this is at the disservice because again we only live once, we’re not God, we have to know... we have to let people know where they stand so they can work, it’s their life. We can say, well... a lot of the times it happens as well, I have to give that feedback but it’s a tough one, today’s Friday, I mean I’m not going to ruin that that person’s weekend, my next weekend we’re traveling and then another month goes by and all of a sudden you just say, well maybe what I’ll do is instead of just telling the person face to face what the gaps are, I’ll be working in indirect ways to try to get that person to evolve and that person to conclude. We don’t do that but in a lot of companies that’s what I heard, that that was the way that this was conveyed to people. But that can take ten years and people will never get the message, and then after ten years when you finally got the message and you say hey it’s not working, he said why didn’t you tell me ten years ago? First, I could have an opportunity to do about it or second,
maybe ten years ago I would’ve had more chances in the market place. So, we don’t have the right to do that. So, we exert candour as one of the basic pillars of our company. So, that’s what we try to do, we try to create an environment as well that through incentives, we attract the owners and I’ll go back to the owners now. The thing we found about the owners, is that the owner make better decisions because they’re here for the short and the long term, that’s a true owner, everybody else is a professional, an executive. And executives and professionals, they join companies to build their resumes, not to build on a company’s dream because they’re going to be here for two, three years. They just what to have an unbeatable, marketable resume. Three years in private equity, here years in consumer goods, then three years in consulting and then man, it’s an amazing, we the hate these people. Because they’re using us a rental car as a rental company, they’re not interested in to what we’re trying to build. They’re trying to use your name, our name and some things they’d learned here to be more marketable, it’s all about them, it’s me, myself and I or something like that, right? They don’t care about the group and they only join companies because they’re excited about what the company’s trying to achieve and build, a dream that’s ahead of everybody, that’s an owner. And because of that, they believe that if the group succeeds, the company, the group succeeds, I will succeed, it’s different story. It’s first about the group, the dream and what we’re trying to achieve as a group, and they make better decisions because they’re here now, ten, twenty years. I give the examples sometimes of a bakery, think about this, there’s a bakery in your family now for three generations and now Dennis, it’s under your watch. Right? And all of a sudden Walmart opens up, or Shoprite opens up across the street, and they’re selling the same bread, for most consumers it’s the same bread, you know it’s not because you ingredients are better, you take craftsmanship in doing it, you take pride in doing it, over there’s just a machine, you press the button and the bread comes out. But they sell at a ninety percent discount, ten percent of your price and guess what, they sell many other things, a one stop shop. And all of a sudden you see your consumers that were there for generations and you know their name everything they’re going across the street, shopping over there at Walmart. If you an employee of the bakery, you say, man the wind changed, our sales are kind of fluffy and those sales are kind of you know, going big time, I’m going to go work for that company, those are the winners and this ship here is sinking, that’s an employee, that’s a professional, they’ll jump ship. But Dennis, will say no wait a minute, failure’s not an option, it has been in my family for three generations, now it’s my turn, it’s not going to fail. So, you do some consumer sites, go to the consumers, they... he knows, and the consumers will, no sorry short, you conclude that people will go to the Walmart that sells five hundred thousand items but they always buy thirty items, but the inconvenience on the other hand is that the
parking lot is a mile away from the entrance of the thing, so they have to walk a lot. And once they get there, they’re always lost, they never know where to get the thirty things that they want, they never recognise anybody because the [inaudible 00:38:40] are very high, they have to stand in a line then walk a mile back to the car and yes, they found everything but took two hours. And you say, no wait a minute that’s the insight, if I go from a bakery to a convenient store, where bakeries are still... great breads are still our anchor, but we have all of the twenty-nine things that they buy, it’s in and out quickly, we know their name. They park [inaudible 00:39:03], that’s an owner, that’s an owner. And that year, they’ll have put money back in the business, they want to buy a new car, want to reform the house, they’ll put money back in the business, that’s the owner. And that’s what we do in the company. You try to create an environment for example, with compensation, our compensations is five and ten years cliff, it means if you stayed four years and eleven months, it’s zero, right? It’s five-year cliff, ten years cliff. So, if you’re a professional and you want to be here for three years, it doesn’t make sense because none of that will work. And by that I’m not saying that ownership is only obtained when you throw options and shares and all that at people, no. A bonus is something that everybody in the company has, all the way to the shop floor because we want people to feel that if the business does well and they create value, they have a part in that value creation, that’s ownership. But the whole thing about equity, is only for one percent of two hundred thousand people, only one percent and we don’t believe that’s what create owners. Ownership is the mindset that again, the shops [inaudible 00:40:16] this is my equipment, this is my line, I take pride in what happens here, I know everything that’s happening here, I want to be trained so I can be better at what I do, that’s ownership. Equity will only reinforce an existing mindset and an existing behaviour, will not create an owner. So, then we do transactions like these or combinations like these, a lot of people ask me, how do you keep this culture, the Dream People Culture that’s so much of what we are about? When we joined with another company and when people came from a different environment, a different set of values, and a long story short what we learned after six of those big ones, is a couple of things. First, most companies don’t value in the sense of formalising what they stand for, people know I talk about, sometimes not even know, not even talk about it, sometimes it’s based on one guy, the founder and if that guys leaves, there’s the vacuum. It’s not formalised, people don’t talk about it because they think it’s of course, it’s just we don’t talk about it, of course we need the best people I mean it’s obvious. And then when we come, luckily there’s a vacuum, and we say, hey okay since there’s not established culture here, let’s adopt ours. Right? And to adopt the culture, the things we do is always the same thing. The toolkit we learned how to do M and A, between sign and closing it normally takes between six and eleven months, okay between the time you
sign you’re announced in the market and the close after you get finance in place, regulatory and board approvals and the whole thing, you close six to eleven months. This is gold for us because that’s when we form teams and we go to the company and we do two things. I’ll be interviewing the top leaders of the company with two or three other colleagues. For example, on the SABKs, because of the geographic dispersion, we in different ways interact with the top three hundred people in the company in the first four months, between signing and closing. We travel like mad men and mad women, and travel around the world to meet all those people. Sometimes it was a one to one discussion, sometimes it was a business presentation, sometimes it was a market visit, sometimes it was the two or three type interaction with us. And at the end of each day, myself and my three other colleagues travelling with me, would go to the hotel and rent people ABC. A...[Inaudible 00:42:50] are people we could not afford to lose because this guy is mad, these guys are going to thrive[?]here. B... with people that we thought, we were not sure but could be very interesting during the first two years of integration, provide the bridge and C... where people would have said, man this guy cannot stay here, this guy has to go, in the best way possible but this is a no go. Alright, has to go. And for the guys that were A.. the next day because we couldn’t do anything formally, we just stabbed the guy in the back and say, hey this company we were trying to create together, this amazing company, it’s going to be our company, we’d love you to join us and build this company together with us. So, it’s to take anxiety again, off the table. So, that guys because that’s the great guy that has... any company would be offering anything to these guys that this guy would be curious to stay, alright. And the other thing that we do, is we create a group of people from our company, from the other company and we have to use consultants because a clean room for some topics but most of the topics we can interact directly, and it’s all about best practice sharing. So, how do you do logistics? What’s your wholesaler managing system? What’s you warehouse managing system? How do you do sales forecasts? And then this group will elect what’s the system that will survive, it will be the one that will be standard from day one on the company. So, that’s when in doing that with SAB, a lot of our guys in that group that I’ve just described, the second group five and five people, identified things like the category expenditure framework. They came back to us and said, man we found some very interesting things, and that’s why we decided to use the name, Intellectual Synergy, because it was the first time from all the transactions that was done, that we found a wealth of information over there, and I’ll more about this after the best practices. But another thing that’s quite interesting in our culture, is that a lot of people think that today with millennials, that these things changes. You know, a lot of things that used to be may be no longer, right? I remember when Pedro and I, we came to the conclusion that we had to create ZX, we said okay, we would like to have
some people that comes from this more the thanks, right? Not somebody who’s been there for fifteen years, somebody who’s their junior with high potential, three years, two years okay, because we’d like to know a little bit about how these companies click and what they do, what kind of language they speak, so we can bring that to ZX. And there was a doubt on whether we would be able to attract those people because we say well, they’re going to look at us as, your guys are more a very traditional company, we are all about bits and bytes, alright. So, we start interviewing people and to our surprise, we have some things that we take for granted that for them were very current, and very relevant, and important. The first thing is that they told us that the culture we have here of informality, knowing the genders, being able to speak up, open layouts, you know the way we dress, all those things, that’s one thing they had at the thanks, that they didn’t want to lose that if they would come work for us. I said great, we’ve been doing that for thirty years, nobody ever thought it was great or cool, now it’s cool, alright we’ve been there for thirty years, awesome, great you know, check. The second thing that they said is they said, you guys are offering an opportunity for me to have global career, as I develop and grow within your company, this [inaudible 00:46:38] don’t offer that and I said, no wait a minute I mean this guy... I mean this [inaudible 00:46:43] are all global companies, huge companies...what do you mean they don’t have global careers? And the guys said no, if you work for Apple, all the careers that matter are in Cupertino California, that’s it, that’s why they built that amazing headquarters because that’s where all the action takes place. [Inaudible 00:47:00] House is just a sales operation, and distribution, and manufacturing, but all the careers that all highly talented are interested in are normally in one place. And with our company I can get to know the world which is you know I’m interested, while I grow and get to know the business, that’s something they do not offer. We took that for granted and we said, okay great well, we didn’t know that was so awesome, okay great, check. And the third thing they said is that you know what, this thing of bits and bytes, it’s a bit tiresome, and what you guys do with beer is part of what I do when I entertain in my free time and what you guys are connected to, music, sports, arts, entertainment, general, that’s something I like, so I can do my bits and bytes but connected to something I love as opposed to bits and bytes and period. And we attracted a lot of people to ZX and some of the things I hear sometimes is that this idea that people will stay here for a long time, this is the past you know people today, they love to do different things, you know, their attention span is very you know, six seconds, fifteen seconds, and that translates in everything they do. What we see is that this values that we regard in soul that are so important to us, our ten principles, are things that are always challenged as being some things that a lot of people would not like, and I’m the first one to admit that. I remember when we started expanding outside of Brazil, we had that doubt, we said man, is this a very
much duel located, duel offense culture, because for some reason people are here like this? Whereas we go to different places, people will connect to this. And the first reason why we expanded, if you can raise the mic a little bit and the sound please, the first thing for our expansion was not size, was not anything else than people because in the early days we started attracted so many trainees to our company and developing them, that five years later when we look to our branch and we said, man the first day only in one country, we’re going to lose these people to market because there’s only one head of marketing and one head of sales, so at some point of funnel’s so narrow that we’re going to lose all of this talent. And we said, hey if we go to a second country, then we can offer you know, they can go there, the guys from there can come here, we now have two heads of marketing and two heads of sale, and we have a more interesting career to offer and to retain people, alright. And that was the first driver for expansion, it was not anything else, it was people because that’s what we do, we are [inaudible 00:49:54] and we love people and that’s it and as we do that, our people decided to, hey we liked this thing of integrating companies. So, what learned for example when you go to a new company and to get the culture implemented, is first you do the interviews because the leadership is what’s important because in any population, what you’ll learn is that twenty percent of the people lead, seventy percent of the people follow, and ten percent are always complaining. And you’ll learn time and again that you either lead, or you follow, or you get out of the way, right? So, this ten percent has to get out of the way, but we need to make sure that the twenty percent is aligned with the principles that are important to us, so it’s one company one culture, and we try to assess that during signing and closing. Sometimes in the first year we have some surprises but our experiences says, that if you have the right leadership, the seventy percent will follow and then you start implementing that culture and because we talk about a little bit about it all the time with examples, we’re also trying to get the thing to be more and more oiled. Another thing that’s very important in our culture, is this idea of no shortcuts, that’s very important. You don’t build a great company by shortcutting, it takes time, it’s brick by brick, just like building a great group of people. That’s why we don’t hire in the marketplace, people with twenty years of experience, that’s a shortcut. It might sound smart right, you say hey, Coke developed this great marketing guys for ten years, we’re now going to hire this guy, how smart that is you know, we’re going to take all those [inaudible 00:51:34] that somebody else invested and now this guy is going to be working for us. But, in our experience what you form then is that a team, you form a bunch because all those people come with different expectations, a different set of values, two years later they are all gone, and you’ll have to start all over again, it’s a shortcut. So, in our company things like safety, quality, compliance, we take it very seriously. For example, when we went to India, we had a business in
India but a small business, solely high end, when we marched, when we did this last business combination, our business in India got multiplied by ten. And I say this in a very open fashion because I’m Brazilian and we have lots of issues in Brazil in terms of compliance, not our company but the way sometimes people are doing businesses. And when we got there, when we found a whole bunch of consultants that were working there and we decided to do away with all those consultants day one, we said no don’t do that, we’ll do it ourselves because in India you have to renew licenses every year for everything you do, so given that the size of the business in India, we need to renew a hundred and thirty thousand licences every year in India, one hundred and thirty thousand, and we said, no we’re going to do it ourselves. What happened the first year, we lost thirty percent of our sales because we couldn’t get the licenses, some of them but we said, no problem, we’re here for the long term, it was just one year, we’re going to do it right. And now, we’re recovering all that because we created a cell of people that are specialists in filling out forms for licence renewal because they have annexures that are very complex, and we learned that when they are perfect, filled out, you’ll get it but it’s very hard to do perfect that’s why you needed consultants in the old days. Right? So, compliance. So, we take this very seriously, that you build a company by doing the right things and by taking the time. So, another thing, and I’ll finish in a minute, another thing that’s very important is some of the things that were mentioned here about champions but you’re going to see here today, in a minute, the best practice booth is something that is a part of our culture because we know people out there do it better than we do, we go out there and we learn, we bring it back and we open the gap, [inaudible 00:54:05] five best practices within the company and we scale a lot faster. One of the big advantages for us of scale, is not what it look... what a lot of people think, which is size and this and that, of course that helps in procurement now, it helps in many things but the big thing about scale that we learned through the years is that with scale, if you do the right things, you have more insights that people that are more original because one sentence like is the one that says, that the future’s here but not evenly distributed but it’s already somewhere. Some people somewhere is already doing the next big thing and if you’re global, you have more of a chance of capturing that earlier on. Then the idea of benchmarking because again you’re exposed to many things, we visit many companies, and very important, the idea to scale up fast and execute with excellence. Those are the things that are big for us, this whole idea of excellence in execution, this whole idea that ideas are great but execution’s even better. So, those are the things that among a lot of things you’re seeing that are changing, those things are not changing. So, I just wanted to give you a little bit about that because we talk about Dream People Culture all the time. When I go to colleges, that’s where we talk about it and we answer questions. When we do integrations between
signing and closing, and I do townhalls, we talk about Dream People Culture and we answer questions, all based on our principles and our principle is about, the first one about dream, dream big. The second one is that [inaudible 00:55:42] the two, one is about people, the fact that we can only be as strong as our people and that teams are needed and the third one teams, high power teams, and the third one is this idea of ownership, simplicity, and being ethical in what we do. So, I hope this gave you a good overview of what’s the DNA of our company’s all about, and the things that are not changing because now you’ll see a lot of things, you’ll continue to see a lot of things that are changing. So, thank you very much, see you later, thank you, bye.